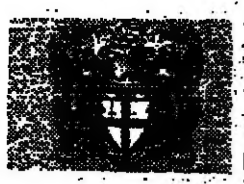

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NEWSPAPER of THE YEAR

FINANCIAL TIMES

Thursday April 9 1992 EUROPE'S BUSINESS NEWSPAPER D 8523A

RAF on alert as Iraq moves in missile batteries

Royal Air Force warplanes in the Middle East were put on a high state of alert as tension soared after Iraq moved anti-aircraft missile batteries into a prohibited area, north of Iraq's 36th parallel.

Britain was discussing what response should be made with the United States and France and other members of the United Nations Security Council. General Colin Powell, chairman of the US Joint Chiefs of Staff, did not rule out renewed military action. **Earlier report, Page 4**

German stand-off: Hopes of early cross-party co-operation in the aftermath of stunning gains by the far right in two state elections faded when leaders of the ruling Christian Democrats and opposition Social Democrats retreated to entrenched positions. **Page 16**

Winning ways: Governor Bill Clinton of Arkansas has the Democratic party's presidential nomination firmly in his reach after winning in primaries in New York, *Wisconsin and Kansas.* **Page 16; Mathematical reality points to Clinton, Page 6**

Alcatel Alsthom, French telecommunications and engineering group, reported a higher than expected 20 per cent rise in net annual profits to FFr6.2bn ($1.1bn) and forecast a further improvement in the current year. **Page 17**

Ex-Wimbledon champion 'has Aids virus'

Arthur Ashe, *left, 1975* Wimbledon tennis champion, was reported to have tested positive for the Aids virus. Ashe, 48, contracted the virus during open-heart surgery in 1979, according to a US TV report. Since retiring Ashe had captained the US Davis Cup tennis team.

Arafat escape: Palestine Liberation Organisation leader Yassir Arafat, had a miraculous escape when he walked away from an aircraft crash in which three crew members were reported killed in the Libyan desert. **Page 4**

NTT telecommunications group, world's largest company in terms of capitalisation and Japan's largest employer, expects profits to fall sharply in the face of increased competition from newly licensed telecommunications carriers. **Page 17**

Noriega deadlock: *The jury in* the drug-trafficking conspiracy trial of Panama's former leader, General Manuel Antonio Noriega, said it was deadlocked, but the trial judge in Miami sent it back for more deliberations. **Page 6**

ICL, UK-based computer manufacturer in which Fujitsu of Japan has a majority stake, was hit by a 30 per cent drop in operating profit in 1991, in the worst trading environment the computer industry has experienced. **Page 17**

UK trucks rev up: The start of a recovery in the UK new vehicle market has been signalled by last month's sales of heavy trucks, which show the first monthly year-on-year rise since September 1989. **Page 10**

Nuclear test halt: France announced it was suspending its controversial nuclear weapons *tests programme in the South Pacific until the* end of the year and proposed that all other nuclear powers follow its example.

Queens Moat Houses, UK hotels group, announced full-year pre-tax profits down 3.9 per cent to £90.4m, slightly below expectations, and warned there was no sign of a sustained recovery in its UK business. **Page 24 and Lex, Page 16**

Lockerbie offer: Libya renewed its offer to hand over to a neutral state two of its nationals wanted for trial in the west for the 1988 Lockerbie Pan Am airliner bombing. **Page 4**

BCCI: Creditors of the collapsed Bank of Credit and Commerce International have been given another four weeks by the High Court in London in which to make up their minds about draft agreements to settle their claims. **Page 10**

Gold opportunity: Russian authorities are engaged in a battle over whether to allow an unprecedented deal involving an Australian consortium in Russia's previously closed gold mining industry. **Page 2**

US visit off: *Nato secretary-general Manfred* Wörner has cancelled a visit to the United States which was to have started yesterday because of surgery planned for next week. No details of his illness have been disclosed.

The Markets

STOCK INDICES		
FT-SE 100	2,393.2	(−11.0)
Yield	5.09	
FT-SE Eurotrack 100	1,143.45	(−13.37)
FT-A All Share	1,144.85	(−0.5%)
Nikkei	17,175.53	(−616.02)
New York lunchtime		
Dow Jones Ind Ave	3,169.56	(−44.05)
S&P Composite	392.98	(−5.06)
US LUNCHTIME RATES		
Federal Funds:	3¾%	
3-mo Treas Bills. Yld	3.921%	
Long Bond	101½	
Yield	7.897%	
LONDON MONEY		
3-mo Interbank	10¼%	(10½%)
Liffe long gilt future	Jun 94⅛	(Jun 93⅞)
NORTH SEA OIL (Argus)		
Brent 15-day	$19.10	(18.875)
Gold		
New York Comex	$337.9	(338.7)
London	$338.35	(338.5)

STERLING		
New York lunchtime:		
$	1.748	
London:		
$	1.749	(same)
DM	2.8425	(same)
FFr	9.6275	(9.625)
SFr	2.6075	(same)
Y	231.75	(233.0)
£ Index	90.1	(same)
DOLLAR		
New York lunchtime:		
DM	1.628	
FFr	5.5145	
SFr	1.4945	
Y	132.775	
London:		
DM	1.6265	(1.626)
FFr	5.505	(5.5025)
SFr	1.4915	(same)
Y	132.55	(133.26)
$ Index	84.3	(84.6)
Tokyo close Y 132.7		

Austria	Sch30	Hungary	Fr162	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr120	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Ptas200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1 000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr8.00	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00		
Germany	DM3.30	Lebanon	L£1,250	Portugal	Es190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

FINANCIAL TIMES © No 31,731 Week No 15

US and European markets reflect Japanese woes

By Our Financial Staff

SHARE PRICES fell sharply in Japan, Europe and the US yesterday amid fears about the international repercussions of the faltering Japanese economy.

Investors showed concern that financially troubled Japanese banks could reduce their lending to other parts of the developed world, adding to the risks of a global economic slowdown.

Worries on this score were particularly marked in Europe, which has benefited in recent years from large inward investments from Japan. A reduction in lending could particuarly affect growth prospects in countries such as Britain and France which are in economic difficulties.

There is also nervousness that the mounting problems in Japan could hold back faltering signs of a revival in the still-fragile US economy.

In Tokyo, domestic investors showed increasing concern about the gloomy outlook for the Japanese economy. According to a survey by the Keidanren, the employers' federation, 90 per cent of business leaders expect the economy to remain sluggish at least until October.

On the Tokyo stock market, such sentiments helped to push the Nikkei average down 616.02, to a close at 17,175.53, its lowest level in 5½ years. During trading the Nikkei fell through the 17,000 level and touched 16,892 but recovered amid *sporadic* bargain-hunting.

The Nikkei has fallen by 25 per cent since the beginning of the year and by 56 per cent from its peak in December 1989.

In Europe, reactions to the falls in the Tokyo market were particularly pronounced in France, where prices on the Paris bourse were shaved by 3.4 per cent. Shares quoted in Frankfurt and Amsterdam dropped by 1 per cent.

But in London, where investors are preoccupied with today's general election, stock prices were less affected. The FT-SE 100 Index of leading shares, which has steadied in the past few days after a 65-point fall last week, lost 11.0, closing at 2,393.2.

On Wall Street, Tokyo's fall unnerved traders and the Dow Jones Industrial Average dropped 50.31 to 3,163.24 in morning trading, its lowest level of the year, before starting to recover in the early afternoon. At around noon New York time, it was quoted at 3,171.29, down 42.26.

Ms Ruth Lea, economist at the London office of Mitsubishi Bank, the Japanese bank, said the slide in the Japanese economy was "very worrying" for other parts of the world.

Mr James Williams, a fund manager at Barings merchant

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UK election today will be closest since 1974

By Philip Stephens, Political Editor, in London

BRITAIN votes today in its most closely fought general election since 1974. The final opinion polls left the outcome as uncertain as ever, after a last-minute swing from the opposition Labour party to the ruling Conservatives.

Three surveys published last night suggested that Labour and Conservatives each could expect *about 38 per cent of the vote,* with the Liberal Democrats at 20 per cent, although a fourth gave Labour a larger lead.

If that result were reproduced *in today's election, it would leave* a hung parliament, one in which no party had an overall majority. Either leader might then seek to form a minority government with the backing of the Liberal Democrats and other smaller parties.

But as Mr Paddy Ashdown, the Liberal Democrat leader, continued to insist that the price for his *support would be a firm commit*ment to electoral reform, neither Mr Major, Conservative prime minister, nor Mr Neil Kinnock, Labour's leader, would contem*plate that possibility.*

Senior strategists said that regional variations in voting patterns and the traditional statistical margin of error in opinion *polls meant that it was still possi*ble for one party to emerge with an overall majority.

As all three parties made a last push for votes yesterday, Mr Kinnock and Mr Major insisted that late surges in support for their respective parties would give them that majority. But the final opinion polls offer more comfort to the prime minister than to his Labour counterpart.

Labour's support has been steady at about 40 per cent for most of the campaign, falling below that level in most polls only during the past few days. Conservative strategists were last night predicting that Mr Major's warnings that a victory for Mr Kinnock would wreck the prospects of economic recovery had given his party momentum in the *crucial phase of the campaign.*

Mr Paddy Ashdown, buoyed by poll indications that his Liberal Democrats may make strong gains in south-west England, pre*dicted that their share of the vote* would exceed the 23 per cent achieved in 1987 by its predecessor centre grouping, the Liberal/Social Democratic party alliance.

Three polls last night put the Liberal Democrats on 20 per cent. Gallup had the Conservatives on 38.5 per cent with Labour on 38 per cent, Mori gave Labour 39 per *cent against the Conservatives'* 38 per cent and ICM put the main parties at 38 per cent each.

A fourth poll by NOP, however, showed Labour with 42 per cent, *widening its lead over the Con*servatives, who had 39 per cent, with Liberal Democrat support falling to 17 per cent.

Today's election comes at the *end of a frequently bitter cam-*

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Opposition clamour interrupts speech by new premier

Bérégovoy to put jobs first

Newly appointed prime minister Pierre Bérégovoy (above) gestures at opposition hecklers during his first policy speech to the French National Assembly, in which he announced a suspension of nuclear testing

By Ian Davidson in Paris

MR Pierre Bérégovoy, France's new prime minister, yesterday undertook to make the fight against unemployment the first priority of his government, but without undermining the existing policy of economic rigour and monetary stability.

His opening declaration to the National Assembly, however, was subjected to a systematic barrage of hostile clamour from the conservative opposition benches, indicating that the new government is likely to face a rough ride in the 11 months left before the next general election.

Mr Bérégovoy lived up to his reputation for straight dealing when he announced that there would be no change in France's electoral system before those elections.

Last autumn President François Mitterrand urged a shift towards more proportional representation, which set off a ferment of suspicion that he intended to change the voting rules solely in order to evade defeat. That way out has now been closed, in a significant demonstration of the authority of the new premier.

The crescendo in the opposition uproar came when Mr Bérégovoy undertook to wage war against corruption in public life. Scandals concerning illegal party financing have in recent years tarnished the reputation of the French political establishment, especially the Socialist party, and Mr Bérégovoy promised his government would give full support to judicial investigations.

"If there are cases which have been delayed", he said, "believe me, they will not be delayed any more".

At this point, his speech was effectively drowned out by opposition barracking. Mr Bérégovoy then ominously waved a piece of paper which, he said, contained "a list of persons about whom I might want to speak to you".

After even louder roars of protest, about a quarter of the opposition members walked out. When they had gone, Mr Bérégovoy said none of the names on his list was a member of the National Assembly.

To accelerate the recovery, Mr Bérégovoy said value added tax applied to cars and luxury goods at a higher rate of 22 per cent would be reduced to the standard rate of 18.6 per cent from next Monday, nine months ahead of the timing set by the European Community's single market.

The finance ministry indicated that the VAT cut would cost FFr4.3bn ($760m) in 1992 and FFr7bn in a full year. But Mr Bérégovoy made clear his government intended to maintain a firm grip to keep the budget deficit under control.

Mr Bérégovoy promised that by the end of October 900,000 of the long-term unemployed, out of a total figure just short of 3m, would be offered either a job, or training, or a suitable form of community service. In addition, he said the government would promote part-time working, in part by reducing social security charges.

Mr Bérégovoy obliquely conceded that, as finance minister, he had allowed last year's planned deficit to rise as a result of falling revenues, but he promised that any new spending in the fight against unemployment would be financed either by the sale of state assets or by cost savings.

As a gesture of support for nuclear disarmament, he announced that France would suspend all nuclear weapon tests *for the rest of this year.*

Moves to slacken reform in Russia threaten $24bn aid

By John Lloyd in Moscow

THE RUSSIAN government's moves to slacken economic reform and credit policy are threatening aid promised from the west, officials of international economic institutions warned yesterday.

The World Bank and the International Monetary Fund are concerned that concessions the Russian government has had to make, in the face of a conservative onslaught on its reform programme, will render useless the proposed $24bn aid which was announced last week by US president George Bush and Mr Helmut Kohl, the German chancellor.

This is seen as especially true of the *$6bn fund earmarked for* the stabilisation of the rouble. One official said last night: "It is hard to see aid flowing in large amounts if the programme pro*posed to the* IMF is substantially altered. If they don't get what looks like a fixed exchange rate for the rouble they won't get the money to stabilise it."

*In the past three days of ses*sions of the Russian Congress of Peoples Deputies, the government has made clear that it intends to grant credits of up to Rbs200bn to agriculture and industry, and to raise pensions and other benefits.

However, even these concessions may not be enough to placate all of the deputies.

Last night it emerged that the commission preparing a resolution on economic reform, due to be debated today, had narrowly voted to propose that President Boris Yeltsin should be stripped of his emergency powers – including his post as prime minister.

Mr Yegor Gaidar, the first deputy prime minister, told a meeting of the deputies supporting *the government:* "*As soon as* Yeltsin gives up his powers as prime minister there is no government in Russia any longer. Everything would be paralysed. All of the government would immediately resign."

However, another minister revealed that the cabinet had prepared a list of names of those with whom it would be prepared to work as replacement prime ministers, and another list of names with whom it would not be prepared to work.

Russian membership of the IMF is expected to go through at the end of this month. However, an agreed programme of assistance could be delayed indefinitely if the reforms are off course. Western calculations suggest that the size of the budget deficit in the first quarter of the year stands at between 8 and 15 per cent of the gross domestic product.

One western adviser said: "If they really were closing enterprises and laying people off then there might be a case for putting more credit into industry. But they're not at that point yet, so it's hard to believe it's a good idea."

Mr Laurence Summers, chief adviser to the World Bank, said: "The worldwide lesson is that hard budget constraints are not a sufficient condition for the reform of enterprises, but that they are necessary."

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Russians play down the danger of Ukraine clash

By John Lloyd in Moscow and Chrystia Freeland in Kiev

LEADING Russian politicians in Moscow yesterday played down the danger of conflict with Ukraine over control of the Black Sea fleet, but action at the fleet headquarters of Sevastopol underlined the tension between the two sides.

President Boris Yeltsin sent Admiral Vladimir Chernavin, commander of the Commonwealth of Independent States naval forces, to Sevastopol to oversee the transfer of the fleet to Russian control.

This followed Mr Yeltsin's signing on Tuesday of a decree taking the fleet under Russian jurisdiction – a direct counter to a similar decree issued by Mr Leonid Kravchuk, Ukraine president, on Monday.

The Ukraine parliament met in emergency session yesterday to discuss the crisis and Mr Ivan Pliushch, chairman of the Ukrainian parliament, reported that Admiral Chernavin had told Ukrainian representatives that they could have a fleet but would have to find new headquarters.

Meanwhile, thousands of pro-Russian demonstrators were reported to have surrounded the fleet headquarters, brandishing banners saying "We won't give up the Black Sea fleet" and "Sevastopol is a city of Russian glory".

A spokesman for the Black Sea fleet said demonstrators had come to the defence of Admiral Igor Kasatonov, the pro-Russian commander of the fleet. "The whole town has risen up in support of the admiral," a spokesman said. But it was not clear that the headquarters was under any imminent danger of attack by Ukrainians.

Indeed, the Ukrainian minister of defence, General Constantin Morozov, said pro-Russian forces had surrounded the headquarters of Ukraine's appointee as commander of the fleet, Counter Admiral Boris Kozhyn, in the early hours yesterday. Black Sea fleet spokesmen would not comment.

In Moscow, Mr Andrei Kozyrev, the Russian foreign minister, asked his Ukrainian counterpart, Mr Anatoly Zlenko, for talks in Moscow on Saturday, the official news agency Itar-Tass reported.

General Dmitri Volkogonov, military adviser to Mr Yeltsin, said: "It is inconceivable that there would be war between the two great Slav states on this issue. We must now set up a commission between the two states to discuss these questions and we must find a compromise between us. A compromise is certainly possible."

But the discussion of the issue in the Ukrainian parliament underscored the escalation of tensions between Ukraine and Russia. Defence minister, Gen Morozov, said: "We see the main problem in the fact that the CIS is not viable."

Mr Kravchuk reasserted Ukraine's claim to the Black Sea fleet and to the Crimean peninsula, where it is stationed.

Nationalist deputies were in truculent mood. "This is naked Russian imperialism," said Mr Mikola Porovsky, who wore an embroidered Ukrainian peasant shirt under his blue jacket. "Yeltsin is trying to kill two birds with one stone. First he wants to deflect attention from the failure of his economic policy and second he wants to seize property that is not his by rights."

Mr Vitold Fokin, the Ukrainian prime minister, said that Russian vice-president Aleksandr Rutskoi had "personally deceived me" when he travelled to Sevastopol over the weekend.

Pro-communist demonstrators placing a Soviet flag on Russian army headquarters in Moscow yesterday in protest at the disintegration of Soviet military power since democratisation

Trans Dnestr embroiled in an ethnic tug-of-war

Chrystia Freeland on the disputed industrial region

ON THE outskirts of the town of Bendery a member of the Trans Dnestr National Guard has put down his Kalashnikov to strum a guitar and take a swig of vodka. His post displays the old red and green flag of the Moldovan Soviet Socialist Republic, complete with hammer and sickle. A crudely painted sign proclaims: "Bendery is, was and will be a part of the Trans Dnestr Republic."

Less than a mile of fertile fields separate him from a dozen lightly armed members of the Moldovan National Guard patrolling concrete barricades. They fly the tricolour Moldovan flag, distinguishable from neighbouring Romania's only by the cross at its centre. The spray paint on this side says flatly: "The Trans Dnestr Republic is not a state."

Over the past month the two sides have stepped up their struggle for control over the Trans Dnestr – an industrial region on the banks of the Dnestr river – with intermittent fighting which has claimed more than 50 lives.

The Trans Dnestr, whose 730,000 inhabitants are 60 per cent Slavic Russians and Ukrainians and 40 per cent Romanian, is situated within Moldova, a member of the Commonwealth of Independent States. Moldova was part of Romania until the 1939 Molotov-Ribbentrop pact under which Stalin and Hitler carved up eastern Europe, and some 65 per cent of Moldovans are ethnic Romanians.

In 1990, the Trans Dnestr authorities, fearing that the Moldovan government would soon seek unification with Romania, declared independence in the hope that this would force Moldova to adopt a federal structure that would afford Trans Dnestr the right of secession.

This is unacceptable to Moldova, which is willing to grant the region wide political, economic and linguistic autonomy but is determined to oust the ruling Trans Dnestr authorities, viewed in Kishinev, the Moldovan capital, as "bandits" who should eventually be put on trial.

The skirmish threatens to escalate now that Moldova has hinted at its readiness to call on Romania for military support and Trans Dnestr leaders have appealed for help to Russia and to the Russian-controlled 14th Army stationed in the region.

After a meeting earlier this week, the foreign ministers of Moldova, Romania, Russia and Ukraine called for a ceasefire. According to Ukrainian television reports, Mr Adrian Nastase, the Romanian foreign minister, said that if the ceasefire did not occur all four countries should deploy observers to the region.

He also suggested that the Ukrainian military could be called on to maintain peace rather than the 14th Army whose sympathies for the Trans Dnestr forces made it inappropriate for this role.

In the Trans Dnestr separatists have been bolstered by signs of support from Russian conservative politicians and the Commonwealth of Independent States' military command.

Romania and Russia have supplied weapons to their respective sides. The Trans Dnestr forces procure their guns from the 14th Army using a novel technique – Trans Dnestr women storm 14th Army barracks demanding Kalashnikovs for their fathers, husbands and sons.

Less than 70km from the fighting, the only hardship in the Moldovan capital of Kishinev is that restaurants close at 8pm, in compliance with the state of emergency declared by the Moldovan president. But Mr Ion Botnaru, a senior official at the Moldova foreign ministry, warned: "Our former nomenklatura has moved to the Trans Dnestr. They say: 'From here we will begin the rebirth of the great Russian state.'

"If they win, they will set up a domino reaction of anti-democratic uprisings throughout the CIS."

In the Trans Dnestr capital of Tiraspol, which has dissolved into an anarchic city under siege where daily funerals of victims of the fighting are a sober counterpoint to the gay, occasionally drunk, roving bands of colourfully garbed Cossacks, a different view is favoured.

Many Cossacks, mostly from southern Russia, see themselves as protectors of Russians living throughout the former Soviet Union, a task they would like the Russian government to assume.

"Who is going to defend the Russians in the Baltic, in Moldova?" asked Mr Nikolai Mastrykov, a Cossack leader from the Russian city of Krasnodar. "We will defend them. [Russian President Boris] Yeltsin is not defending them."

Battle over foreign entry into gold mining

By Leyla Boulton in Moscow

A BATTLE is raging among Russian authorities over whether to allow an unprecedented deal involving foreigners in Russia's previously closed gold mining industry.

The government was yesterday said to be nearing a decision as the Russian gold-mining monopoly, Rossalmaz zoloto, declared that a state monopoly on sales would be maintained to protect prices.

Mr Yegor Gaidar, the deputy prime minister responsible for economic reform, has been trying to push through a contract elaborated by Lenzoloto, a Siberian gold producer, covering an area of 105,000 sq metres, together with an Australian consortium called Star Technology Systems.

Under the project, Star would obtain a minority stake in a joint stock company – the other shareholders would be Lenzoloto, the Russian government, and the local authorities of the Irkutsk region – in return for a badly needed injection of capital to develop new deposits and reduce waste from existing mining. Star says it has already secured up to \$150m (£87.2m) in finance for the project. It has begun producing machinery within Russia for alluvial mining.

The project, covering all Lenzoloto's mines, provides for all gold produced to be sold to the state, preserving its monopoly on foreign sales.

But the plan has run into strong resistance from Mr Valery Rudakov, the powerful Rossalmazzoloto chairman, who said yesterday he wanted to organise a tender for the development of Lenzoloto's prime Sukhoi Log mine – in which his own organisation would be able to compete as "an equal partner".

Mr Valery Avlov, the general director of Lenzoloto, said he saw no need for a tender, since this would cause delay and stall work already under way. He said he had stopped receiving state funds to develop the area.

Mr Rudakov, speaking after a closed seminar at which three North American companies made presentations to Russian officials, said he had asked Credit Suisse First Boston to advise him on how to attract foreign investors, and restructure without going as far as privatising it.

At stake is the government's desire to produce big foreign investment contracts quickly and develop the flagging gold industry. Also in the balance is the right of local producers to choose their own partners and develop the assets.

■ Mr Yevgeny Bichkov, responsible for the Russian gold depository, said yesterday that Russia was determined to rebuild reserves which in January still stood at the low figure of 240 tonnes.

Moslems and Serbs seek refuge by the bridge of fear

By Laura Silber in Zvornik, Bosnia-Hercegovina

THE YUGOSLAV federal army said yesterday it had gained control of a key town in western Bosnia-Hercegovina amid renewed clashes in the newly-independent republic, writes Laura Silber. The army said it had found 20 corpses on the streets in the strategic town of Kupres. It said Croat forces had suffered heavy losses in the town, which a western diplomat said was vital for Croat interests to gain control of the western Hercegovina region. Belgrade radio reported heavy fighting for the second consecutive day in Mostar, south-west Bosnia.

Violence among the republic's main ethnic groups, has sharply escalated over the issue of international recognition of Bosnia. Clashes raged yesterday despite appeals for peace from Bosnian leaders. Artillery and gunfire blasted Sarajevo, the capital, where municipal leaders said at least 30 people have been killed this week. Sarajevo media warned people should stay indoors and observe the night curfew.

"I DO NOT know if we will be able to defend the police station tonight," said the police chief of Zvornik as shots rang out piercing the silence.

The police station lies tucked beneath the hills from where the Moslem police officers say their former colleagues, Serbs, are launching mortar and artillery assaults on Zvornik.

Most of the 13,000 inhabitants of Zvornik, about 60 per cent Moslem and 40 per cent Serb, fearing war, have fled the town over the past week. It stands deserted except for men wielding Kalashnikovs and hunting rifles.

Serbs control one section of Zvornik. The Moslem-controlled part can be reached by crossing the bridge from Serbia over the River Drina. It leads to a dead end, blocked by heavy vehicles and several Moslem guards carrying automatic weapons.

"There is war, hysteria and panic. But no one has been killed," said the police chief who is afraid of retaliation and refuses to give his name. He appears confused about what went wrong in the once-harmonious town. Last week 40 Serb officers took weapons, cars and walky-talkies to form their own police station. "The situation detoriated over independence. Serbs want to be part of Greater Serbia – we want an independent Bosnia," says a Moslem officer.

Zvornik is now under siege.

The Moslem police and reserve officers pledge to defend the town but a local journalist says: "This area cannot be defended whenever they want Zvornik will be captured." While they maintain their all-night vigil, the police chief, is trying to organise an exchange of prisoners. "We captured four Chetniks [Serb extremists] last night with automatic weapons, knives and a metal chain used for strangulation." He tells an army intelligence officer in Belgrade, the Serbian and federal capital: "I want them to get out of town safely, not only because of them – but because of the situation."

The policemen wonder if their Serbian prisoners, who say they were in town awaiting orders, were a provocation. They believe that it may have been an attempt to provoke real violence instead of this bloodless war. A panicky officer reports news of an imminent attack. The shooting becomes louder. They peer through the windows looking for the invisible snipers.

The police chief says: "The future of Zvornik is not decided here." He estimates that at least 2,000 ultra-nationalist Serb fighters have come from Serbia and are in the region waiting to attack.

Back across the river, dozens of Serb police officers and irregulars stand guard, waving away bystanders.

"Hey, where are you going? Don't cross the bridges," one officer in full combat gear, calls out to two Serb peasant women. "They're shooting over there." Another Serb woman tells how she must reach her children in Malesic, a village by Zvornik. But a Serb policeman angrily interrupts her and tells watching journalists to go home. "Get away, go back to America," he shouts, showing his anger at the US and EC recognition of Bosnia.

Tax boycott call in Italy

By Haig Simonian in Milan

THE Lombard League, the Italian regional party which emerged as the biggest winner from last Sunday's general elections, is determined to press ahead with its election pledge to encourage non-payment of taxes as part of its opposition to the political establishment in Rome.

Mr Marco Formentini, the party's economics spokesman and one of the 55 newly elected League members of parliament, said it aimed to win control of Italy's big northern cities. "With the administration behind us, we will invite people not to pay their taxes if the money is just going to be wasted," he said.

The threat comes as Italy's politicians mull over the outcome of the polls, which saw a sharp drop in support for the established parties in favour of smaller groupings and threaten to make the country increasingly ungovernable.

Mr Formentini warned that the League would use its parliamentary power to exert strong "supervision" over government spending, which it claims is "squandered" on vote-catching projects, especially in southern Italy. The aim would be to gain seats on parliamentary committees to make it difficult to pass spending measures not sanctioned by the League, he said.

The League, which gained 8.7 per cent of the national vote to emerge as Italy's fourth biggest party, is also trying to develop an economic programme to rebuff attacks that it has no coherent policies of its own.

Mr Formentini said the League would seek to slash spending on health care, pensions and public-sector pay, while limiting transfers of central government money to local councils and state agencies. He denied the plans would lead to a deterioration of services, on the grounds that current spending on health and pensions was inflated by between 30 per cent and 50 per cent as a result of inefficiency and corruption. On the state railways, Mr Formentini said the League would dismiss 90,000 of the 200,000 workers.

The party has targeted Milan, where it just beat the Christian Democrats into second place, as the first big city where it would like to gain control. The local council, traditionally dominated by the Socialist party, has been hit by a corruption scandal, and may now be sufficiently weak for the League to bring down, he claimed.

Hungarian budget deficit soars

By Nicholas Denton in Budapest

THE Hungarian budget deficit surged way above target over the first quarter of this year against the background of a steeper than expected recession which has placed hundreds of enterprises on the brink of bankruptcy.

Latest government figures show that accumulated arrears of tax and customs payments reached Ft 170bn (£1.22bn) by the end of the first quarter. This helped push the first quarter budget deficit to Ft 47bn and raises a question mark over the government's ability to meet its target of restricting the overall budget deficit for the year to Ft 69bn, or 1.9 per cent of GDP.

Mr Gyorgy Szapary, the International Monetary Fund's representative in Hungary, yesterday warned that the situation looked serious enough for the Fund to take a hard look at the budget overrun in mid-year, given the danger that it could keep interest rates high, crowd out private investment, and hold back Hungary's economic recovery. The government first responded to the tax shortfall last week with "drastic measures" to seize tax debtors' bank deposits and impound goods at the border until duties were paid.

It also clawed back tax refunds granted to banks. The underlying reason for the pressure on the budget became clearer yesterday with new figures which showed Hungary's economic recession was much deeper than expected.

Recorded gross domestic product fell by 10 to 12 per cent last year, Mr Szapary revealed.

NEWS IN BRIEF

Brussels proposes rise in funding for R&D

The European Commission yesterday proposed streamlining the institutional and administrative procedures which hamper the distribution of EC research and technological development funds, writes Andrew Hill in Brussels.

Mr Filippo Maria Pandolfi, the research commissioner, is pressing for an increase in Community R&D funding from Ecu2.4bn (£1.71bn) in 1992 to Ecu4.2bn by 1997 – 5 per cent of the total EC budget – concentrated more carefully on selected priority projects.

According to the Commission's R&D strategy document, published yesterday, EC spending on research and technological development amounted to 2.1 per cent of gross national product last year, compared with 3.5 per cent in Japan and 2.8 per cent in the US. "In fact, the Community's current level is similar to that of Japan 10 years ago," says the document. The 58-page document tentatively suggests moving some R&D activities closer to the market to help meet external challenges, without breaking the rules which say that the EC can only support research projects, which do not distort competition in the marketplace.

Plan to protect home shoppers

Brussels proposed a battery of rules yesterday to protect shoppers as companies turn to high-tech ploys such as "dial-up" television commercials to sell goods in the home instead of the high street, Reuter reports from Brussels.

Common rules for all EC countries will boost consumer protection as the "distance-selling" business expands and households face a barrage of offers to buy goods by mail, phone or fax machine, a Commission spokesman told reporters. Among the proposals would be a seven-day cooling off period in which the consumer could decide to pull out of a purchase contract settled by credit card or other means. Companies which offer goods on television, for example, would have to ensure they were delivered within 30 days.

Nato head forced to cancel trip

The Nato secretary-general, Mr Manfred Wörner, is to undergo surgery and has cancelled a trip to the United States due to start today, a Nato spokesman said, Reuter reports from Brussels.

The spokesman did not give details of what was wrong with Mr Wörner, 57. Nato sources said the former West German defence minister had told few people the reason for the operation, scheduled for next week. Mr Wörner is due to step down next year.

European electorates conclude PR is less than perfect

BRITAIN goes to the polls today alone among European Community partners in operating a first-past-the-post system in all its elections, **Our Foreign Staff writes.**

Both the Conservatives and Labour have been put on the spot in the election campaign by demands by their smaller rival, the Liberal Democrats, for the introduction of proportional representation. Those in favour say it is more democratic, while opponents say it produces unstable coalitions and allows parliamentary seats to minority groups with little electoral support.

Yet the results of regional and national polls in Italy, France and Germany within the past month are increasing pressure for reform of their varying PR systems.

In Italy, a general election has produced political fragmentation to the point that its governability is in doubt. In Germany and France, extreme right-wing parties have squeezed into regional parliaments, some with just a small proportion of votes.

Italy's general election on Sunday produced a lower house in which 16 parties won seats, 12 of them with less than 6 per cent of the vote each. Politicians from all the main parties in Italy have long sought to change the system, but a lack of consensus has prevented reform.

A cross-party group of MPs is backing a hybrid form of PR for the Senate, or upper house: 268 of the 315 seats would be first-past-the-post with the remainder elected on a proportional basis. Proposals for the more important 630-seat chamber of deputies seek to strengthen the vote for large parties or alliances, to provide a stable majority.

The Christian Democrats want to retain proportional representation for 88 per cent of the seats and to introduce a form of premium in the distribution of the remaining seats to the parties or alliances with the largest share of votes.

In France, huge losses by the ruling socialists in regional and local elections have fuelled the debate for reform to the National Assembly. Mr Pierre Bérégovoy, the new prime minister, said yesterday he would appoint a committee to come up with proposals for change by October 15. However, reform would not take place until after general elections due next year. The debate on electoral reform in France has been tainted by accusations of political manipulation and by the effects of PR on the recent regional elections.

President François Mitterrand implied last November that a modest dose of PR was desirable to secure a fairer representation in the National Assembly of the different currents of opinions in the country.

The present system for the assembly is based on majority voting in single-member constituencies, but with two rounds of voting: in the first round an absolute majority is required for election; in the second it is first-past-the post.

The regional elections showed an enormous push by protest groups not represented in parliament. A further problem is that the wide dispersal of voting has made it difficult to put together stable-looking regional coalitions.

In Germany, lack of leadership rather than a failure of Germany's bespoke electoral system brought about the events of last weekend when 21 far-right members entered the state parliaments in Schleswig-Holstein and Baden-Württemberg. The validity of the system, known as "personalised proportional representation", has been questioned in similar circumstances in the past, but has been found to serve its basic purpose: protecting and stabilising parliamentary democracy.

It comprises a 50:50 blend of first-past-the post constituency voting and national representation according to party lists. Every voter has two votes: one for the local candidate, the other for a party.

Half the members of parliament are elected with a simple majority in each constituency. The others come from lists of nominees drawn up by local or regional party organisations.

The key factor in distribution of the "list seats" is that, before a party will be considered in the allotment process, it must have won at least 5 per cent of the total number of second votes cast. The purpose is to prevent the extreme fragmentation of the party system, which characterised the chaotic dying days of the Weimar Republic.

The 5 per cent clause has worked effectively to reduce the number of parties in the Bundestag. From 1949, when there were 12, the figure has shrunk to six, including the remnants of the GDR Communist party.

Between 1961 and 1983, however, before the "alternative" Greens emerged, there were only four. At the weekend, the system kept the Greens – only about 400 votes short of the 5 per cent limit – out of the Schleswig-Holstein assembly, which just allowed the Social Democrats to maintain absolute power. It also allowed in another "alternative" – the extremist DVU.

Few can doubt the possibility of electoral reform in Europe. But as Mr Bérégovoy said yesterday: "No system is perfect." *By Robert Graham in Rome, Ian Davidson in Paris and Christopher Parkes in Bonn*

The Financial Times (Europe) Ltd Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenberg 4, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Dublin's abortion dilemma deepens

By Tim Coone in Dublin

THE Irish government's dilemma on abortion deepened yesterday, following a decision to hold a new referendum on the issue after a referendum to ratify the Maastricht treaty tentatively scheduled for June.

Mr Albert Reynolds, the prime minister, told members of his Fianna Fail parliamentary group that he wants to avoid the two issues become "entangled" and that the ratification of the treaty is the government's top priority.

Mr Noel Dempsey, the party chief whip, said: "It would be devastating for this country and future generations if we were to let these two issues become entangled. . . we are not going to be stampeded into making hasty and ill-judged decisions by any groups. We don't want to rush into another abortion referendum as we did in 1983 with the results that we have now."

It looks increasingly likely, however, that the abortion issue will become central to the debate on the Maastricht treaty. EC law guarantees the right of all citizens to travel freely within the community to avail themselves of services legally available.

Dr Mary Lucey, president of the Society for the Protection of the Unborn Child (SPUC), said yesterday: "The Maastricht treaty will sell Irish unborn lives for a mess of pottage, for money – as it's going this referendum on Maastricht will be a referendum on abortion." SPUC is the principal pro-life lobby group in Ireland and played a key role in inserting the right-to-life amendment into the constitution in a referendum in 1983.

The abortion referendum would be aimed at guaranteeing the right of women to travel abroad for an abortion, and for them to receive abortion information in Ireland. It would also seek to rectify the situation created by a Supreme Court ruling last month which permits pregnant women who face a threat to their lives to obtain an abortion abroad, but not otherwise.

Wayward Bulgaria returns to path of reform

Plans for the privatisation of state enterprises have put Sofia back in the International Monetary Fund's good books, writes **Judy Dempsey**

BULGARIA'S economic reform programme is back on course following a brain-storming session involving officials from Phare, the European Community's special technical assistance programme for eastern Europe, the World Bank, the International Monetary Fund, and the recently elected Bulgarian government.

Also at what one Phare official described as "a very big round table" were experts from Poland, Hungary and Czechoslovakia.

"Their presence was important for all of us," explained Ms Tania Brisby, a consultant at DFC, a Spanish firm which Phare is financing to advise the Bulgarian government. "They made valuable contributions about their own experiences on privatisation."

The end result is a privatisation bill which parliament is now debating. "It is a very flexible bill. Its aim was to allow for all types of methods of sale," explained Ms Brisby. These would include public auctions and tenders, and will be open to foreign investors.

Pushing through this privatisation bill is crucial. It will put Bulgaria back on the reform track; it will secure a second World Bank tranche of $100m which was delayed because the reforms were slowed down; it will attract much-needed foreign investment; it could bring an earlier end to the recession.

The bill envisages:

- Establishing a privatisation agency to implement the programme. Privatisation is expected to be a lengthy process because 95 per cent of Bulgaria's enterprises are state-owned.
- Transforming state or municipally owned enterprises into joint stock companies for partial or total sale.
- Placing proceeds from privatisation in a special bank account to cover part of the privatisation expenses.
- Allocating 20 per cent of the stock or shares of privatised enterprises to a mutual fund established by the government. An additional 20 per cent of the proceeds from privatisation will be allocated to the same mutual fund. The fund will be used to finance transfers to social security funds, and for compensating former owners. The mutual funds will be managed by the privatisation agency. Bulgaria, like Hungary, has avoided the cumbersome Czechoslovak-type voucher scheme.
- Giving employees of the state or municipal companies which will be transformed into joint stock companies options to subscribe on preferential terms for up to 20 per cent of the shares.

The preferential price will be half the share price. The number of preferential shares an employee can hold will depend on length of service. Bulgaria, unlike Czechoslovakia, has also avoided giving shares away free.

A year ago, Bulgaria was well on the course to economic reform. A coalition government introduced the first phase of an IMF-backed stabilisation programme to introduce tight monetary policy which would slash subsidies, curb inflation, and reduce soft bank credits to enterprises.

The implementation of the initial phase of austerity measures had a much greater impact on Bulgaria than several of the other east European countries.

The reforms were introduced at a time when trade with the former Soviet Union, which had accounted for more than 65 per cent of Bulgaria's foreign trade, was collapsing. The country's enterprises were in no position to find new markets.

Second, Bulgaria was dependent on the Soviet Union for about 70 per cent of its energy supplies. The switch to the dollar clearing system, and Russia's own economic problems led to sharp falls in energy supplies to Bulgaria.

The loss of the Soviet market, and energy shortages accelerated the decline in industrial output. In 1991, output had fallen by 27.8 per cent compared to 1990. Over the same period, imports fell by 17 per cent, and exports rose by 0.1 per cent. Higher food prices and wage increases kept the inflation rate at around 80 per cent. By the end of 1991, unemployment exceeded 400,000, or more than 10 per cent of the labour force.

Also, Bulgaria had little access to fresh loans from western governments or commercial banks, mainly because all loans to Bulgaria were frozen after March 1990, when the communist government imposed a moratorium on all payments of interest and principal on its western commercial and government debts.

Until the Bulgarian state recently agreed to guarantee its hard-currency debt of $9.6bn to its commercial creditors, there was little prospect of negotiating a long-term rescheduling of that loan. The government, headed by Mr Filip Dimitrov from the Union of Democratic Forces, is now saddled with this debt.

In the meantime, Bulgaria has been relying on an IMF stand-by arrangement, which last year totalled $150m, and the first of two World Bank structural adjustment Loans, which total $250m.

Despite the economic hardships of the reforms, the public backed them. But in the latter half of 1991, the pace of reforms slowed, largely because Bulgaria was preoccupied with the presidential and parliamentary elections. In addition, internal bickering in the parliament, where the communists remain the largest opposition party, virtually paralysed legislation, particularly on privatisation and land reform.

The delay in pushing ahead with the reforms prompted the World Bank to consider withholding a second tranche of $100m. There were also fears that the recession would be prolonged. Hence the present sense of purpose. "Bulgaria lost the momentum over the past few months," a World Bank official said. "But the privatisation bill shows it is now getting back on the rails."

Prime minister Filip Dimitrov: saddled with debt

Sweden ponders barring politicians from company directorships

By Sara Webb in Stockholm

SWEDEN'S politicians could soon find their moonlighting days are numbered.

For years, politicians have been able to supplement their income by sitting on company boards, earning up to SKr100,000 a year ($17,200), according to some estimates.

However, following a number of embarrassing scandals in recent months – which have suggested that some politicians have little aptitude for financial matters in their capacity as directors on a company board – the Finance Ministry is looking at ways of reducing the influence of politicians in the financial sector. The new Centre-Right government may then introduce a bill in parliament this autumn.

The move is seen as long overdue by some members of the business community. Already, the government has announced plans to privatise 35 state companies. In addition, some Swedish savings banks – which are owned by foundations with separate boards of directors – plan to merge to form a large banking group listed on the stock exchange. Both measures are expected to encourage a more "business-like" attitude, with directors appointed to the board on the basis of their expertise, and with responsibility to shareholders.

The Ministry of Finance says the decision to reduce the influence of politicians in the financial sector stems from a number of recent scandals.

Only last month, Första Sparbanken, a savings bank with customers mainly in the Stockholm and Gothenburg areas, announced losses of SKr5.7bn for 1991. Första's financial problems emerged over a year ago, and have been blamed on bad management, poor credit analysis and overexposure to the finance company and real estate sectors. The bank's management resigned in April 1991 but some members of the financial community question the responsibility of the board of directors at the foundation which controls the bank.

At present, local authorities and county councils select the members of the board for the foundations which control each savings bank.

"Surely it is up to the board to take steps to reduce the risk exposure," says Mr Leif Vindevag, a senior official at the stock exchange.

Like many of the other savings banks, the board of directors on the foundation which controls Första contains several political appointees. Mr Tommy Lindell, executive vice president of Första, says: "Most of our board members are political appointees ... it is rather common in the savings banks." The board members are from across the political spectrum, he adds.

A spokesman for the Ministry of Finance says that under the present law, the government appoints the chairman of the board and must approve the other board members for the foundations controlling the savings banks. However, this could change.

In addition, some observers believe the question of responsibility needs to be addressed. In February 1992, Folksam, a mutual insurance group whose board of directors is dominated by trade union representatives, revealed heavy losses of SKr220m for 1991 with the prospect of further losses up to 1995. The company's managing director was forced to resign.

However, much to the surprise of the business community, Mr Stig Malm, the chairman of Folksam's board and the head of LO, the powerful Swedish Confederation of Trade Unions (which is closely associated with the Social Democrats) announced that neither he nor the board would take responsibility for Folksam's losses. Despite his lack of experience in running a business, Mr Malm is still chairman of Folksam's board.

Even more embarrassing for the Social Democrats – who were ousted from power last September – was the collapse of A-Pressen, the Social Democrats' newspaper publishing group, in February. A-Pressen revealed that its financial situation was far worse than expected – partly due to bad management, but also due to the tough economic environment. In this case heads did roll: the managing director was sacked, and Mr Bo Toresson, a board member and Social Democrat party secretary, resigned from the company.

Mr Björn Karlin, who heads the Swedish share promotion organisation, an independent body financed by listed companies, claims some change is already taking place: "The new government has put in fewer politicians and more professionals."

Iraqi missiles 'are threat to Allies'

By Mark Nicholson, Middle East Correspondent

BRITAIN said yesterday that Iraq has moved anti-aircraft missiles into the protected area of Iraq north of the 36th parallel which "could pose a threat" to US, British and French aircraft patrolling the area.

The move revives the possibility of an allied strike against Iraqi forces - an option General Colin Powell, chairman of the US joint chiefs of staff, pointedly refused to rule out in London yesterday after talks on the rising tension in northern Iraq with Mr John Major, the UK prime minister.

Gen Powell said after the meeting that he would not "speculate on what we might or might not do with respect to the use of military action." The US state department was last night preparing a formal warning to Iraq over the missiles.

Officials said the Soviet-made SAM-2 and SAM-3 missile batteries had been moved within the last 10 days to Mosul, 32km north of the 36th parallel, beyond which Britain and the US have ordered Iraq not to stage military operations against the Kurds on pain of possible allied counter attack.

The movement of missiles follows reports of renewed attacks by Iraqi forces on the southern fringe of Kurdish held areas in the north – including some around Mosul and Arbil north of the 36th parallel – and signs of a build-up of Iraqi armour in the north.

Iraqi opposition groups in London also claim that a 36,000-strong Iraqi force last week launched a bloody three-day offensive, backed by helicopter gunships, against Iraqi Shias hiding in the country's southern marshes.

These skirmishes and the deployment of anti-aircraft missiles, which could provide cover for an attack on the Kurds, has intensified top level consultations between Britain and the US on a possible punitive raid to deter President Saddam Hussein from threatening the Kurds – or from testing too far the resolve of the Gulf war allies in their undertaking to protect them.

British officials said yesterday that Gen Powell had brought forward a long-intended trip to meet Mr Major in view of the deteriorating security position in Iraq. The two men gave no details about a possible response to the missile deployment.

However, as a first step, Iraq is likely to be warned privately through its mission at the UN in New York that it risks an allied attack.

The US, Britain and France patrol the area from the Incirlik airbase in Turkey, where a limited strike force has been based since the Kurdish uprising immediately after the Gulf war.

Relieved PLO celebrates Arafat's survival

By Tony Walker in Cairo

FOR Yassir Arafat, the great survivor of Arab politics, it was almost certainly his closest brush with death. His miraculous escape on Tuesday, when he walked away from an aircraft crash in which three crew members were reported killed, will have done nothing to diminish his Houdini-like reputation.

Mr Arafat, who has somehow escaped numerous attempts by his enemies to eliminate him, including at least two attempted assassinations by the Israelis, was reported by immensely relieved Palestine Liberation Organisation officials to be in good spirits, although suffering slight bruises after his aircraft came down in the Libyan desert.

The 62-year-old PLO leader, who was en route from Sudan to an air base in south-eastern Libya when his aircraft ran into a blinding sandstorm, was out of contact for 15 hours, and hopes were fading that he would be found alive.

But as so often in the past, just when his personal and political obituaries were being written, Mr Arafat re-emerged, confounding the worst fears of his colleagues and supporters. He was taken first to Sarra, location of a large Palestinian guerrilla base 30 km (18 miles) from the crash site and then on to Tripoli.

In the occupied territories yesterday, at least 15 Palestinians were shot and wounded in clashes with Israeli troops during demonstrations celebrating the news that he had survived.

Shops throughout East Jerusalem, the West Bank and the Gaza Strip were closed as Palestinians reacted with shock to initial reports that Mr Arafat was missing. But thousands took to the streets, honking car horns, chanting "Arafat is alive" and handing out sweets when confirmation came of his survival. The demonstrations led to violent clashes in Gaza and the Israeli army clamped curfews on several West Bank communities.

Worried Palestinians scan newspapers in Jerusalem for details of of the crash in which Yassir Arafat went missing.

The long hours of Mr Arafat's disappearance also focused attention on the lack of an obvious alternative. Always extremely wary of the possible emergence of a rival, the PLO leader has not groomed a successor, and this omission was brought even more glaringly into focus in the past 24 hours.

Mr Arafat seems certain to come under renewed pressures from inside the PLO to help prepare the way for an orderly succession, but he has resisted these pressures in the past. His disappearance also raised fears about continuing Palestinian participation in the US-sponsored Middle East peace process. Mr Arafat's support is regarded as a key factor.

While the PLO itself is excluded from the peace talks by an Israeli veto, Mr Arafat's blessing is regarded as a vital cover for Palestinian participants from the Israeli-occupied West Bank and Gaza Strip.

In Stockholm, the chief Palestinian spokeswoman at the talks, Mrs Hanan Ashrawi, said she was overjoyed that Mr Arafat had been found safe.

"He is the father of Palestinian unity. He is the symbol of national identity. He has been the driving force," she said. "His maturity, courage, foresight and experience show through in the sort of leadership he has."

PLO officials met in crisis session through the night in Tunis, anxiously awaiting news of Mr Arafat who became PLO chairman in 1969. When dawn broke the PLO asked regional and western governments to assist in the search for the missing aircraft.

Mr Arafat's somewhat beleaguered position – he has scarcely ever been more isolated in Arab councils following his support of Iraq in the Gulf crisis – may be eased by his escape from death: his disappearance underscored his importance in maintaining a degree of stability among the fractious Palestinians.

The PLO leader, who has a keen sense of the theatrical, is likely to milk his lucky escape for all its dramatic possibilities. He seems certain to chide those who have written him off in the past, and were inclined to do so again on this occasion.

Apart from Israeli assassination attempts, Mr Arafat has walked away from at least one serious car accident, a Syrian-inspired attempt to blow up a motorcade in which he was thought to be travelling, and attempts in 1983 by enemies within his own Fatah faction to get rid of him in a bloody siege of the northern Lebanese town of Tripoli.

Gadaffi renews offer on handover

By Tony Walker in Cairo

LIBYA yesterday renewed its offer to hand over to a neutral country two of its nationals suspected of the 1988 bombing of an American airliner, but there was no indication it was prepared to yield the men to the United States or Britain.

Western officials were describing the latest Libyan proposal, which appears similar to one last month, as a "non-starter." Britain and the US are insisting they try the men under British or US criminal jurisdictions.

The latest Libyan offer was forwarded to Mr Boutros Boutros Ghali, the UN secretary-general, a day after a special seven-member committee of Arab foreign ministers met in Cairo to seek fresh avenues for compromise before UN sanctions, including an arms and air embargo, come into effect on April 15.

The UN is also pressing Libya to allow France access to four men, including Colonel Muammer Gadaffi's brother-in-law, wanted for questioning in connection with the 1989 downing of a French UTA aircraft over Niger in which all 171 passengers and crew died.

Arab League officials held out little hope of a breakthrough in efforts to prevent implementation of UN sanctions resolution 748, passed after Libya's persistent refusal to comply with an earlier demand that it hand over the two men for trial in connection with the Pan Am bombing over Lockerbie, Scotland.

Mr Vladimir Petrovsky, the UN undersecretary-general for political affairs, left Tripoli yesterday for Geneva where he was due to report to Mr Boutros Ghali. Mr Petrovsky, sent to Libya to explain the UN stand, appears to have made little progress in his discussions with the Libyan authorities.

Rafsanjani poised to defeat radical opposition

Careful screening of candidates should leave him in control of parliament, reports Sheherazade Daneshkhu

THE RUN-UP to Iran's *majlis* (parliamentary) elections tomorrow has been marked by acrimony and cries of foul play from opponents of President Ali Akbar Hashemi Rafsanjani, who have threatened a boycott on more than one occasion.

The elections have given Mr Rafsanjani the opportunity to break the backbone of radicals in their last great stronghold, allowing him to press ahead with measures designed to open up the country to foreign investment and trade.

All legislation must pass through the Islamic Republic's 270 seat chamber and some has been held up by the radicals who favour state control of the economy. They also oppose foreign loans and the prevailing open-door foreign policy propounded by the pragmatists, who regard these measures as essential to their own survival and to restoring the country's economy, devastated after Iran's gruelling war against Iraq.

Although Mr Rafsanjani has been generally successful in pushing through legislation, the radicals have used the chamber as a public platform to broadcast opposition to his policies.

Iran's latest five-year development plan was held up for a year while the radicals argued against a provision allowing borrowing abroad, while last year they succeeded in impeaching Mr Rafsanjani's minister for health, Mr Iraj Fazel.

Iran has no formal political parties; instead voters choose from a list of candidates every four years. This year, controversy has centred on the screening process for prospective candidates. Some 1,100 candidates were disqualified from standing from an original list of just over 3,150.

The vetting procedure was undertaken by the conservative Council of Guardians, a 12-man body of clerics and legal experts, whose main function is to check that laws passed by the *majlis* are in accordance with Islamic law.

Mr Mehdi Karrubi, the radical majlis speaker, saw the writing on the wall last month when he protested at the fact that the guardians – instead of the Interior Ministry, itself a radical-leaning organisation – had the final say.

"We plan to take part actively in the elections, he said in an interview reported in the radical newspaper, *Salaam*. "But if the Guardian Council wants to start politicking and disrupt the elections by a series of cancellations, maybe we will not take part."

However, the hardline Combatant Clergymen's Society acknowledged last week that it would contest the elections after Ayatollah Ali Khamenei, the spiritual leader, directly demanded its participation. At Friday prayers last week, Ayatollah Khamenei warned against "mischievous elements" and "those who obstruct the work of officials, those who do not observe piety in their speeches, those who talk in a certain way to attract some votes – such people are not qualified to come to the *majlis*; they must be identified so that the people do not vote for them."

But Mr Karrubi's protests about the rejection of so many "distinguished personalities" from the initial candidates' list led to the Council of Guardians reinstating some candidates to its final list.

Those radicals who have been dropped for good include Ayatollah Sadeq Khalkhali, known as the "hanging judge" for his activities in the early years of the revolution, Hojatoleslam Hadi Khamenei, who is Ali Khamenei's brother, Mr Assadollah Bayat, the radical deputy speaker of the majlis and Mr Ibrahim Asgharzadeh, a leader of the students who seized the US embassy in Tehran in 1979.

Ayatollah Khalkhali told *Salaam* newspaper he had been rejected because of his "clear opposition to US interests in the region". However, Ayatollah Ahmad Jannati, spokesman of the Council of Guardians said the body had acted in a "just and legally responsible manner," and claimed that some candidates had been rejected because of their "extremely limited literacy" and not because they belonged to any particular faction.

In a clear reference to the inadequacy of revolutionary zeal as a sufficient condition for public office, the Iranian news agency, Irna, proudly announced last week that most candidates "are in their thirties and most hold bachelors and masters degrees. More than 100 have PhD degrees".

However, President Rafsanjani has been careful not to be too provocative and some key radicals, such as the former interior minister, Mr Ali Akbar Mohtashemi and Mr Karrubi have been allowed to stand. Nevertheless, an editorial in *Salaam* warned of "an unhealthy and one-sided election".

Despite the differences which have emerged between the radicals and supporters of Mr Rafsanjani, participants in tomorrow's elections are all supporters of the Islamic Republic. Those outside the system are not able to contemplate standing for election.

Nine members of a tame opposition group, the Association for the Defence of Freedom and Sovereignty of the Iranian Nation, have been in prison since 1990 when they signed an open letter to Mr Rafsanjani asking for constitutional guarantees of freedom and justice to be implemented.

The group is associated with Mr Mehdi Bazargan, the Islamic Republic's first prime minister and a septuagenarian who is in disgrace for being a "liberal".

On Sunday, Iran launched an air strike against bases of the dissident Mujahideen-e-Khalq, the largest opposition group, located inside Iraq. Mr Massoud Rajavi, leader of the Mujahideen, said the attack was an attempt by Mr Rafsanjani to bolster his popularity in the run-up to the election.

BBC World TV in S Africa link

By Raymond Snoddy

BBC World Service Television is about to expand into Africa in a joint venture with M-Net, the South African pay television service.

The 24-hours-a-day BBC television service now available by satellite to more than 30 countries in Asia will begin broadcasting next week for 11 hours a day to Africa and will be carried on an Intelsat satellite covering the entire continent.

The encoded service will be aimed mainly at embassies, hotels, universities and schools.

The BBC is also negotiating with a number of African broadcasting organisations for the service to be re-broadcast over traditional transmitters.

Another Hyundai company targeted by authorities

By John Burton in Seoul

HYUNDAI Merchant Marine yesterday became the latest of several Hyundai subsidiaries to be penalised within a week for financial irregularities in what South Korea's second largest conglomerate claims is a campaign of intimidation by the government.

Korea's largest shipping company was fined 27.1bn won (£20m) for tax evasion between 1987 and 1991 by the Office of National Tax Administration.

Mr Chung Mong-hun, the owner of Hyundai Marine, and two company officials were also charged for violating tax and foreign exchange rules.

Mr Chung is a son of Mr Chung Ju-yung, the founder of the Hyundai group, whose new conservative political party captured 31 seats in last month's National Assembly elections on a platform criticising the government's economic policy.

Meanwhile, Hyundai Wood Industries yesterday was charged with exceeding permissible limits on pollution discharges, while three other Hyundai subsidiaries were denied permission to be registered for the country's over-the-counter market.

Yesterday's actions followed a threat by the Office of Bank Supervision to abolish the unlimited borrowing rights for Hyundai Electronics Industries tomorrow because of alleged bank loan violations.

Cambodians take the first steps on the road back to normality

Victor Mallet senses recovery in the air after 20 years of civil war

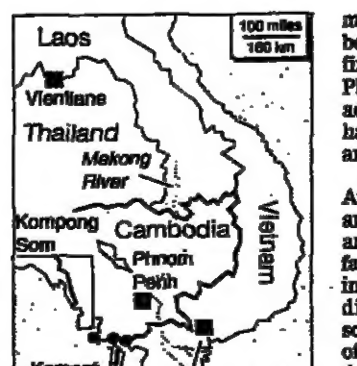
GOING to the seaside on a Sunday may not sound like a big deal to most people, but the arrival of carloads of day-trippers at the southern Cambodian resort of Kep each weekend is a sign of how the country is groping for normality after 20 years of slaughter and civil war.

The town and its luxury villas were destroyed long ago, and today the only inhabitants are a few squatters living in the ruins and a lone elephant contentedly munching grass near the beach. Holidaymakers return to the capital, Phnom Penh, before dark to avoid the depredations of drunken, unpaid soldiers on the road home.

A hint of recovery, however, is in the air. One businessman is building a bar in Kep, and others have laid claim to plots of land in what used to be the town centre. Vendors offer fresh boiled crab and rice, and Tiger beer imported from Singapore. And at least the road is open; it used to be the haunt of *Khmer Rouge guerrillas*.

The confidence inspired by the peace accord signed in Paris last October and by the arrival of UN troops in Cambodia is equally visible in the battered but still charming riverside town of Kampot 25km to the west. Long-neglected hotels are being refurbished, and the welcome signs at the entrances to the town are freshly painted.

On the bumpy road to Phnom Penh, peasants are taking live pigs to market in baskets on the back of their mopeds, or driving bullock



carts loaded with timber to sawmills further north. Fish, meat and fruit appear to be plentiful.

In the capital itself there is feverish economic activity. Ships which have come up the *Mekong River unload cargoes* of imported motorcycles, cars, clothes, beer and soft drinks in the heart of Phnom Penh (a safer route, the shippers say, than the road from the main seaport of Kompong Som); new and refurbished hotels offering satellite telephone calls are doing brisk business; market women are selling decorative plants; the Cafe No Problem serves champagne and French cheeses and boasts a billiard table; and luxury cars are again on display in the Peugeot showroom.

Ms Geraldine Seng Mealy, a 29-year-old half-Khmer Frenchwoman, has sold imported Yves Rocher beauty products in a small shop on the city's main boulevard since December. It was, she believes, the first foreign shop to open in Phnom Penh after the peace accord. These days she also has a line of locally made toys and textiles.

At the museum, staff of the Australian National Gallery are preparing the catalogue for an exhibition of Khmer artefacts in Canberra, and wondering how to help the Cambodians protect priceless sculptures from the thousands of bats in the ceilings which *defecate onto the exhibits*.

Freelance Cambodian taxi-drivers who could barely handle their borrowed government cars four months ago are negotiating the city's increasingly crowded streets with confidence. They are also paying to learn English at roadside schools, or studying Soviet textbooks containing less than *useful phrases such as*: "Could you explain to me what the term 'socialist realism' means?"

Foreign investors, many from Thailand, Singapore, Hong Kong and Taiwan, are looking for opportunities, and consultants Ernst and Young have set up shop in Phnom Penh. Western and Japanese investors remain generally cautious, although several companies have won rights to explore for oil offshore.

Few would begrudge Cambodia its recovery, but aid workers are concerned about the speculative and corrupt nature of the capital's economic boom. *Almost all investment* so far has been in services - property (often of doubtful legal title), hotels, banking and trade - rather than in industry or agriculture. A request for a Cambodian product - any Cambodian product - at a stall in the central market produced only a packet of batteries made in Thailand.

Import-export companies do a great deal of importing and very little exporting, and such exports as there are – timber, for example – are largely uncontrolled and unsustainable.

The capital's numerous pharmacies, meanwhile, sell drugs given by aid agencies to Cambodia, and hypodermic needles labelled "Unicef" (the UN Children's Fund).

Down in Kampot, residents are still fearful of Khmer Rouge guerrillas and landmines in the hills, while the *government soldiers and* policemen have only just been paid their wages for January.

Mr Nop Phan, a 20-year-old soldier lying in Kampot hospital, testifies to the fact that Cambodians will continue suffering the effects of war, regardless of any economic recovery, long after UN forces have left the country. He was looking for firewood when his left foot was blown off by a mine.

"After I heard the broadcasts from Phnom Penh about the UN presence I was very happy," said Mr Nop Somnang, the victim's older brother. "I want to join them to help with the mine-clearing and everything else."

Reminder of war: a Phnom Penh government soldier with grenade launcher and rockets on his way to guard Highway 12 near Kompong Thom, 180 km (112 miles) north of the capital. Parts of the highway were cut and *heavily mined* in recent fighting with the Khmer Rouge

Frustrated US senator to quit

By George Graham in Washington

GROWING frustration with the deadlock that afflicts the US government has driven another senator to announce that he will not seek re-election in November.

Senator Tim Wirth of Colorado said yesterday he would retire from Congress, where he has sat for 12 years in the House of Representatives and another six in the Senate.

He said his decision was prompted by personal anger and frustration at the stalemate between a president who he believed would not lead and a Congress which he found to be stymied by short-term political manoeuvring.

Seven other senators will be leaving Congress after the November elections. Some have been forced out – Senator Alan Dixon of Illinois was defeated in a primary; Senators Alan Cranston of California and Brock Adams of Washington faced attacks on their ethics.

But others, including the widely respected Senator Warren Rudman of New Hampshire, have given up the struggle for the same reasons as those mentioned by Mr Wirth.

Mathematical reality points to Clinton

George Graham finds US Democrats accepting the battered presidential front-runner

AFTER Mr Bill Clinton's victories in the New York, Wisconsin and Kansas primaries on Tuesday, the Democratic Party establishment in Washington is bracing itself at last to acknowledge that the Arkansas governor is virtually certain to be the party's presidential candidate in November.

"There are some rudimentary mathematical realities of the present situation," said Mr Ron Brown, party chairman, who has tried – so far in vain – to get his members to coalesce quickly behind one candidate so as to begin the battle against President George Bush.

Those realities are that Mr Clinton has won about 1,264 of the 4,288 delegates who will select the Democratic candidate at the party's convention in New York in July.

If he wins half of the delegates still to be allotted in primaries and caucuses – and he should do considerably better in some states, especially Arkansas – and half of the officials and committee members who will attend the convention as super-delegates, he will have assured himself of the 2,145 delegates needed to secure the nomination.

If Mr Jerry Brown, former governor of California and the only other Democratic candidate still campaigning, were to win every delegate still uncommitted – a most unlikely proposition – he would fall short of the required total.

For Mr Paul Tsongas, who ended his candidacy two weeks ago for lack of money but is considering a revival now that he has won 29 per cent of the vote in the New York primary, the reality is that for him to take the nomination is practically, if not yet mathematically, impossible.

There remains a remote chance that no clear nominee will emerge, leaving room for party leaders to pick another candidate in a brokered convention, but this is largely a fantasy of Washington pundits and of nostalgic power-brokers who forget that they rewrote the party's rules to make such an outcome near-impossible.

Besides, the other possible candidates usually mentioned, such as Senator Lloyd Bentsen of Texas, epitomise the Washington power structures that voters have resoundingly repudiated in state after state.

Many Democrats, especially those Congress members whose fortunes in their re-election contests in November will be closely tied to those of their party's presidential candidate, remain uncomfortable.

The steady drip of stories about Mr Clinton's problems with marriage, marijuana and the Vietnam war draft has not proved fatal, but has compounded the voting public's discomfort with a candidate who often appears evasive and too clever by half.

But the governor has proved himself a tough and resilient campaigner. Also, in the more substantive realm of policy debate, he has scored telling points over Mr Bush.

Among the Republicans, the president's road as candidate now appears free of danger, for the rebellion of Mr Patrick Buchanan, the right-wing television commentator who challenged him in the early primaries, has largely subsided.

Even so, the administration still appears in disarray. It has struggled to produce statements of policy on the economy and health care, and has appeared unable to follow through on them.

While senior Republicans say publicly that they hope Mr Clinton will win the Democratic nomination, because he would be easy to beat, White House officials acknowledge that they have begun to shift their policy stance in recognition of Mr Clinton's emergence as a candidate who could represent the option of change.

Even in foreign affairs, generally reckoned to be Mr Bush's strongest suit, he has come second best to Mr Clinton in recent weeks.

Yet Mr Bush retains great advantages as an incumbent whose image is already well-formed for voters, most of whom still know little of his probable opponent, Mr Clinton, except that he may or may not have committed adultery and that he may or may not have dodged the Vietnam draft.

For both candidates, however, the very low turnout in every primary except that of New Hampshire, the first state to hold one, is the most ominous sign. Both have a lot left to do in order to reach voters.

US primary results

	DEMOCRAT				REPUBLICAN		
	Jerry Brown	Bill Clinton	Paul Tsongas		Pat Buchanan	George Bush	Uncommitted
New York	26%	41%	29%		No Republican primary in New York		
Wisconsin	35%	38%	22%		17%	77%	2%
Minnesota	*32%	*33%	*23%		25%	66%	3%
Kansas	13%	51%	15%		15%	62%	16%
Out of total of 4,288				Out of total of 2,209			
Delegates won Tuesday	98	163	100	Delegates won Tuesday	8	187	1
Total delegates	264	1,264	539	Total delegates	54	963	7

* Non-binding

IADB officials to discuss capital injection

By Stephen Fidler in Santo Domingo

SENIOR officials of shareholder governments are to begin talks in September on a replenishment of the Inter-American Development Bank's capital

Mr Enrique Iglesias, bank president, said he expected a meeting of its governors would be convened then to discuss the issue.

The previous capital increase, of $26.5bn, was agreed three years ago to cover the four years until end-1993. Ministers from Latin American governments told the bank's annual meeting, which ended in Santo Domingo yesterday, that the increase should be $40bn or more.

However, some shareholders, such as Germany, have said they believe less would suffice.

Mr David Mulford, US Treasury under-secretary for international affairs, said that the US, the largest shareholder, was favourably disposed both to an increase in the IADB's capital and to a boost of the bank's concessional lending operations.

But he said a clear view of the bank's role in the 1990s was needed before figures could be discussed. For example, as the role of the bank changed, more of its lending should be directed to the smaller, poorer countries in Latin America.

Answering a question about whether the US would give up any of its share in the bank to accommodate European and Japanese demands for a greater shareholding, Mr Mulford said that would have to await the capital replenishment discussions.

However, he told journalists that the US would "have to think long and hard before we would wish to convey a message that we were losing interest in the region."

During the meeting, the bank would seek approval to expand its balance of payments lending "on a case-by-case basis" above the previous 25 per cent ceiling.

A bank management request for a new 35 per cent ceiling was rejected.

Mr Iglesias also said in Santo Domingo that he would like to stay in office at the bank after his current term has ended next year.

Promotion for Mexican

THE race to succeed Mr Carlos Salinas as Mexico's president, in late-1994, has changed with the appointment of the head of the ruling party, Senator Luis Donaldo Colosio (pictured above), as secretary of urban development and ecology, writes Damian Fraser in Mexico City.

He is the only current presidential contender in elective office and succeeds Mr Patricio Chirinos, who has been nominated as the ruling party's candidate for governor of Veracruz state.

As head of the ruling PRI, Mr Colosio was deemed ineligible for the presidency. He will take over a ministry whose name will be changed, and whose responsibilities will soon be enlarged to include the management of the Solidarity campaign, a $2bn-a-year anti-poverty programme close to the president's heart.

Mr Colosio, 42, has a master's degree in urban economics from the University of Pennsylvania, and worked for six years in the budget ministry, three of them while Mr Salinas was in charge. He has since presided over a modest democratic reform of the PRI and steered it to a comfortable win in legislature elections last August.

The new minister is not as articulate or forceful as his main rivals – Mayor Manuel Camacho of Mexico City, Mr Pedro Aspe, finance and budget minister, and Mr Ernesto Zedillo, education minister, but he has the right technocratic and political credentials for the presidency. Above all, he has shown unwavering loyalty to Mr Salinas.

Peru given long wait for election

By Leslie Crawford in Lima

PERU'S military-backed emergency government has promised a referendum on its planned constitutional reform and Congressional elections within 12-18 months.

Mr Augusto Blacker Miller, foreign minister, told a news conference late on Tuesday that President Alberto Fujimori would resign if the plebiscite rejected the reforms.

On Sunday, the president dissolved Congress, arrested opposition politicians and suspended constitutional rights, in what he called temporary measures to cleanse the judiciary and the political system of corruption.

The length of time the government is proposing before the return of some semblance of democracy was a surprise. Diplomats had expected a shorter interval, in view of the suspension since Sunday of much-needed international economic aid.

Mr Blacker Miller said it would take at least six months for a special commission to draft reforms to the constitution, the judiciary and the constitutional tribunal.

The minister added that a dozen opposition Congressmen under house arrest would be freed within two weeks and that press censorship would be lifted. However, he made clear the government would not tolerate criticism while it was defining a new legal framework for political activity.

Meanwile, former president Mr Alan García said in a radio interview broadcast in Buenos Aires yesterday that he escaped arrest on Sunday. He seems to have taped the interview while in hiding in Lima.

Judge keeps Noriega jury deliberating

By Henry Hamman in Miami

THE jury in the drug-trafficking conspiracy trial of the Panamanian former leader, General Manuel Antonio Noriega, said yesterday it was deadlocked, but the trial judge in Miami sent it back for more deliberations.

The jurors seem in disagreement about one of the fundamental aspects of the case – whether or not Gen Noriega took bribes from the cocaine cartel in Medellín, Colombia, in return for protection.

To prove this arrangement is central to the US government's case. Only if a business link is found to exist can the general be found guilty of two charges under the Racketeer-Influenced Corrupt Organisation laws, the most serious of the 10 charges.

The jury had asked Judge William Hoeveler on Tuesday for transcripts of the testimony of 10 prosecution witnesses who claimed personal knowledge of Gen Noriega's arrangements with the cartel.

Fresh hurdle in US-EC aircraft subsidies deal

By Nancy Dunne in Washington and Andrew Hill in Brussels

THE US and EC have returned to bargaining over the terms of direct and indirect government support to civil aircraft manufacturers in the wake of a deal reached on April 1.

The agreement was due to be referred back to the US and EC governments for ratification before final agreement.

In Washington, the US Trade Representative's office played down the talks as a meeting "to tidy up loose ends in the agreement." McDonnell Douglas said at issue was a need to develop a formula to identify indirect benefits gained by commercial manufacturers from military contracts.

Sen John Danforth, a senior Republican on trade matters, yesterday strongly criticised the Airbus deal as "a travesty" because it gave the EC "an all-clear" for $26bn in government subsidies. He introduced a resolution demanding the US not approve agreements ratifying foreign subsidies.

Both McDonnell Douglas, based in Mr Danforth's home state of Missouri, and Boeing are supporting the tentative agreement as "a first step in the right direction."

In Brussels, a senior EC trade official said objections from US government departments to last week's EC-US deal on subsidies for civil aircraft manufacturers were putting the whole agreement in danger.

The official said the US had not attempted to reopen bilateral negotiations – which ended last week after six years of intermittent discussion – but that Nasa, and the US defence and commerce departments had reacted strongly against limits on indirect government support to the civil aircraft industry.

The agreement, if ratified, would set a 33 per cent limit on direct subsidies, as a proportion of total aircraft development costs, and a double-limit on indirect support. As a whole, Airbus or the US manufacturers would be unable to receive indirect grants worth more than 3 per cent of total civil aircraft turnover, while indirect subsidies for individual manufacturers would be restricted to 4 per cent of civil aircraft turnover.

OECD Export Credits Rates

THE Organisation for Economic Co-operation and Development (OECD) announced new minimum interest rates for officially-supported export credits for Apr 15 - May 14 (Mar 15 - Apr 14 in brackets):

D-MARK 9.27 per cent (9.06);
ECU 9.21 (9.15)
FRENCH FRANC 10.14 (10.00);
GUILDER up to 5 years 9.70 (9.45), 5-8.5 years 9.50 (9.25), more than 8.5 years 9.40 (9.20);
ITALIAN LIRA 11.94 (11.93);
YEN 5.80 (same);
PESETA 12.25 (12.32);
STERLING 10.85 (10.44);
SWISS FRANC 7.60 (7.42);
US DOLLAR for credits of up to five years 7.18 (6.72), 5-8.5 years 7.95 (7.58), for credits of over 8.5 years 8.26 (7.96).

These rates are published monthly by the Financial Times, normally around the middle of each month.

A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for longer than 120 days.

SDR-based rates of interest are the same for all currencies but must be used only for the OECD-defined poor countries. The SDR-based rate was changed on February 15. It will be subject to change on July 15.

Call for agreement on foreign funding

A multilateral agreement on foreign direct investment is needed to pre-empt growing political pressure for restrictions, according to a paper published by the Group of Thirty, an international think-tank, writes Geoffrey Dyer in Washington.

The author, Prof Raymond Vernon of Harvard University, predicts the rules for foreign investment will become a serious source of tension. "A bad multilateral agreement would be better than no agreement at all", said Prof Vernon, especially, he said, if the alternative is an aggressive US acting unilaterally.

Group invests in Estonian cement

A consortium of US and European cement companies has paid $10m (£5.8m) for a 35 per cent stake in Estonia's largest cement company, marking the independent Baltic republic's biggest foreign investment and privatisation deal, writes Anthony Robinson.

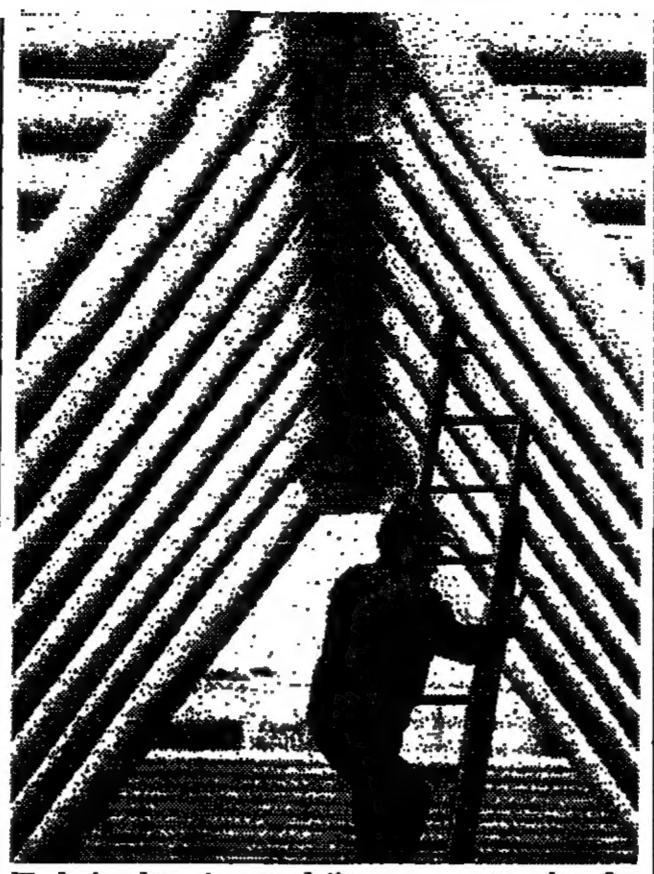
Mr Ronald Lauder, co-owner of the Estee Lauder cosmetics group, brought his Central European Development Corporation into the deal as lead investor in Atlas Cement.

BA wins Kuwait Airways deal

British Airways has agreed to help relaunch Kuwait Airways as a leading Middle Eastern and international airline by seconding BA managers and other staff to assist in the reconstruction of the Kuwaiti carrier, reports Paul Betts, Aerospace Correspondent.

Bell wins C$1bn helicopter order

Canada's federal government is ordering 100 Bell 412 helicopters from Textron Canada for about C$1bn (£485m), writes Robert Gibbens in Montreal. They will replace a mixed national defence fleet.



Work is close to completion on a new wing for Amsterdam's RAI trade exhibition centre

Britain defends HK airport contracts

By Simon Holberton in Hong Kong

BRITAIN's trade representative in Hong Kong, Mr Peter Heap, yesterday defended the UK's success so far in winning consultancy contracts for the colony's new HK$114bn ($14.8bn) airport and related projects and denied there had been any favouritism.

Mr Heap's intervention comes at a time when the Hong Kong government is under criticism from some local politicians and the Beijing-sponsored press for allegedly awarding the lion's share of consultancy contracts to UK companies.

The government is soon expected to announce the successful consortium to build the Tsing Ma Bridge, and the winner of the contract to prepare the site for the new airport – two of the biggest contracts to be awarded.

The complaints stem partly from anti-British elements in the colony. They also come from pro-Beijing forces who believe the airport and its associated projects is a UK device to transfer Hong Kong's riches to the UK via contracts before the 1997 hand over of the colony to China.

Mr Heap said it was to be expected that British engineering consultancies would do well in winning consultancy work; many of the world's biggest and best engineering consultancies were British, he said.

He denied the UK had benefited disproportionately in the award of larger civil engineering contracts. Out of the 25 works contracts awarded only two had gone to UK companies, he said.

Mr James Blake, the colony's secretary for works, said in a written answer to the Legislative Council that of 38 consultancy contracts let, UK companies had figured in 31.

Caribbean seeks role as world's paperless tiger

Canute James looks at offshore data processing, the region's new 'clean' growth industry

IN AN unpretentious factory building on the outskirts of the famed resort town of Montego Bay on Jamaica's north coast, the only discernable sounds are those of computer keyboards and the hum of air conditioners. Several people sit before rows of computer screens, entering data.

It is neither an office nor a factory. In fact, the office is thousands of miles away, in New York, Toronto, London. This is the cutting edge of offshore information processing, a new industry in the Caribbean and one which countries in the region are exploiting as companies try to make the technological leap away from paper.

"There are 328bn paper pages in offices in the US and people are looking for better ways of handling these," says Mr Taher Behbehani, director of US operations for the Information Technology Exchange Group. "Conversion is costly because this involves substantial data processing. Offshore operations can reduce the cost of this."

Converting such data is only one part of the information processing market which Caribbean countries are seeking. The Dominican Republic, Barbados and St Lucia, in addition to Jamaica, are becoming centres for the offshore information processing industry.

The services include processing airline tickets, insurance claims, mailing lists, coupons for credit card companies, banks and other financial institutions, hospital patient lists and electronic publishing, hotel and airline reservations and credit card authorisation. There is continuing and growing demand for other services such as custom-built software programming, voice applications, video conferencing, mapping and geological services and computer-aided designing for architects.

In just one example, a subsidiary of American Airlines ships tickets to Barbados and the Dominican Republic where they are processed in computers and the information sent by satellite back to the US.

High speed data transmission facilities – teleports – are being constructed in Jamaica, Barbados, St Lucia and the Dominican Republic. This allows the Caribbean to get a slice of the growing telemarketing or phone-based mail ordering industry. A call made in the US on an 800 toll-free line could be answered in one of these Caribbean states and the transaction completed in the US in a few minutes.

The Jamaican teleport, located in Montego Bay, is a $8.5m (£4.9m) joint venture by American Telephone and Telegraph of the US, Cable and Wireless of the UK and Telecommunications of Jamaica. The teleport offers facilities for voice, facsimile and data transmission, toll-free services and voice-and-video tele-conferencing.

"We tell our prospective clients that if they can move it from the ground floor to the fifth floor, then they can move it from the ground floor to Jamaica for much less," says Mr Winston Gooden, acting vice-president of Jamaica Promotions, the island's industrial development agency.

The Caribbean faces competition from the Philippines, Ireland and Singapore, but feels it can get more than a small share of the fast-growing information processing market, in which Mr Lawson Nurse, a director of the Barbados Industrial Development Corporation, says US companies spend about $50bn per year.

"The information processing industry began here 25 years ago and has grown steadily," says Mr Carl Clarke, Barbados' trade, industry and commerce minister. "During the early period of the industry's development, the type of work done was basic and low-skilled. However, in recent years, there has been a definite shift to the higher value-added type of processing activities."

The Caribbean countries have been able to increase their share of the information processing market through lower wage rates, which are about a third of that paid for similar work in the US. Recent improvements in the region's telecommunications infrastructure have also helped. In addition to the teleports, companies such as Cable and Wireless have been upgrading several national telecommunications systems.

Mr Gooden says the turnover of workers in the information processing industry in the US is about 35 per cent, while in the Caribbean a staff turnover of 5 per cent would be considered high. The accuracy level of workers in the Caribbean operations is significantly higher than that of those in the US, he claimed.

The Caribbean countries also benefit from the pollution-free nature of the industry, which is environmentally compatible with their tourism.

Norway may get gas sales boost

SEVERAL European buyers of natural gas from Norway's giant Troll field have agreed to a novel adjustment in the terms of their purchase contracts which could increase significantly sales revenue earned by Europe's biggest gas supplier, reports Karen Fossli from Brussels.

Norway this year will export more than 28bn cubic metres (bcm) of gas to France, Germany, Holland, and Belgium.

It is under pressure from buyers to boost sales further and exports will expand to around 40 bcm of gas in 1994 under the Troll supply accord.

Under a new clause in the Troll contract - a so-called price review clause - both the buyer or seller may demand prices be renegotiated at any given point in time to better reflect prevailing market conditions.

ELECTION 1992

A campaign where the bland led the bland

Ivo Dawnay takes a look back at three weeks on the hustings which have led up to polling day

IT WAS NOT the best of times, nor the worst of times. Often, it was almost the blandest of times.

Elections, it seems, are now such delicate democratic organisms that they must be swaddled in verbal cotton wool, coated in a flannel of photo-opportunities and as slickly packaged as a weekend in Disneyworld.

Seldom can so much effort, film, tape and newsprint have been expended by so many to enlighten so little.

Yet, as the broadcasting audience figures prove, the making and breaking of prime ministers and parties is still a process that captures the public's imagination.

This morning, as millions of voters wake to the buzzes and beeps of digital clock-radios, the few thousand political activists that have actually participated in the gruelling four-week campaign will be entitled to thump their snooze buttons.

For the 3,000-odd candidates – hopefuls and hopeless alike – there is little more to be done beyond a few last rallying calls with the loud-hailer and the ferrying of elderly voters to the polling stations.

The economy and the National Health Services dominated the agenda. Education and Europe fell off it.

But what of Dirty Tricks '92? Alas, it was all got up by press wishful thinking. In spite of widespread billing as the vilest election in history, the contest ended up with little more than the occasional egg on its face.

Much of this can be blamed on Mr John Smith. His decision to come clean – well, cleanish – on his tax and spending plans with his shadow Budget at the start of the campaign was the equivalent of bricking up a veritable Klondyke of gaffe opportunities.

Mr John Major's efforts to conjure up a Nightmare on Kinnock Street was just no substitute. What is more, the red menace charge carried no more conviction than Tory sightings of the first economic upturns of spring or Labour's pledge to reverse NHS underfunding at the toss of a billion-pound coin.

Indeed, just to prove the Labour leader harmless, his minders took him repeatedly to school-playgrounds where he showed the cameras that he could sing nursery rhymes with the kids without swallowing so much as a baby.

As Mr Neil Kinnock went soft, Mr Major got tough on a barstool and Mr Paddy Ashdown got combatively moderate.

It was not until the now-celebrated War of Jennifer's Ear that anybody actually lost their tempers. Rather like its historical namesake, the great-grommet dispute is now best remembered for its sound and fury rather than for its root causes.

The diversion, nonetheless, allowed righteous indignation a shortlived opportunity to muscle the politicians' more run-of-the-mill hyperbole off the stage.

For a while, too, the human story of one girl's wait for NHS treatment seemed to inject a little everyday reality into the otherwise other-worldly melange of borrowing requirements and pay differentials. But the true guts of the health debate – how a government rations care with limited resources – was too complex an issue for anyone to unravel. The polls hiccoughed, then returned to par.

For the most part, it was a battle between the Big-endians and the Little-endians with the overstated cases of both parties, requiring, like any other theatrical performance, the willing suspension of disbelief.

Mr Michael Ignatieff, the academic and broadcaster, was not alone in remarking on the surrealism of it all. "My worst moment," he recalled yesterday, "was finding myself kneeling on a motorway bridge in Carshalton with Paddy, talking to a 4-year-old about newts."

There were plenty of other embarrassments. Mr Kinnock's spine-chilling exhortation – "Werrrallllrighttttt!!!" – at his Sheffield rally was one; another was Mr Major's camp love affair with his soap box: "Wherever I go for the rest of this campaign, my soap box will go with me."

To this observer, there were only two memorable moments of truth. The first was when Mr Kinnock frankly explained that the economy would be safe in his hands because he wanted to be re-elected; the second, Mr Major's poignant plea to voters at Wembley on Tuesday not to have his home repossessed nor to be turfed out of his new job.

But in these blandest of times, it would be ungenerous to carp. Middle-income, medium-powers like Britain should, perhaps, be grateful for middling politicians nurtured, like the rest of us, on the National Health Service and free school milk.

Long-distance bussing to reach personal ends

FT writers on the party leaders' campaign travels

It began in Grantham, Mrs Thatcher's home town, and ended in Dulwich in south London, where she bought her post-Downing Street home. In almost every other respect John Major's campaign has been a contrast to his predecessor, **Alison Smith writes.**

The three and a half weeks on the road have been a process of Mr Major's finding his own voice on the campaign trail.

His inexperience at this level of campaigning, with his inability to rouse an audience of the faithful to the heights of ecstasy they reached under Mrs Thatcher, told against him.

In his favour were the fact that people like him, his mastery of his brief – albeit in slightly bureaucratic language – and his enjoyment of going out on tour.

His interest in what he was shown, whether it was a cold-store in Sheerness docks, or a machine tool factory in Tamworth, amazed the travelling press.

He said early in the campaign: "I don't believe you can find out what is happening in the schools or indeed anywhere else simply by sitting behind a desk in Whitehall."

The belief that if everyone in the country could just talk to him for a few minutes the Tories would win by a landslide lay behind the barstool "Meet John Major" sessions with invited Tory audiences. He handled them competently but they lacked bite and were too low-key to give the campaign momentum.

The real innovation was the speech-on-a-soapbox, a reprise of his early political days in Brixton. The soapbox first appeared at the end of March when there was disorder on a walkabout in Luton, and appeared three times afterwards. It has not been used since Mr Major said he would take it everywhere with him, but the sharper style and apparently greater confidence have remained.

He – or rather his tour managers – have been the despair of press photographers. The number of factories and businesses on the tour was more than all the schools, hospitals, sporting venues and farms – which would be expected to yield better pictures – put together.

His speeches at the seven setpiece rallies have benefited dramatically from his working on them more himself, though this led to some *longuers* during the campaign day which often lacked urgency and focus.

Nearly 10,000 miles and 25 days later, Mr Major is a better campaigner. But an election during a recession was not the best time to be on a learning curve.

The banana-yellow battle bus of Mr Paddy Ashdown, emblazoned with the Liberal Democrats' "My Vote" slogan, ended its tour in the party leader's Yeovil constituency last night, **Ralph Atkins writes.**

Its success will be measured in the extra votes Liberal Democrats are expected to win tonight. The failures? It is still not clear what "My Vote" actually means.

The effectiveness of the leader's tour has surprised even party officials. One admitted yesterday that strategy meetings had descended into witty repartee, in the absence of decisions to be made.

It could have gone horribly wrong. The punishing schedule – literally from dawn to after midnight, from the Scottish Highlands to the tip of Cornwall – could have led to physical exhaustion and disgruntled journalists. One Ashdown aide said: "If we were five points down, not up, in the opinion polls, we'd be very different."

To impartial observers the fireworks, dry-ice and streamers at the evening rallies looked out of place at the slightly dilapidated school halls often chosen as venues. But in fleeting TV pictures, they were on a par with Labour or the Tories.

Mr Ashdown's message has been broad-brush and populist. Only in the last few days has his party's manifesto been subject to precise questioning in set-piece television interviews, and even then discussion on hung parliament scenarios has predominated. Introducing Mr Neil Kinnock as the next prime minister is commonplace at Labour rallies. With campaigning virtually over, this no longer carries the empty ring of impending failure, **Michael Cassell writes**

Mr Kinnock and his team, hopelessly exhausted yet spurred on by the sweet smell of victory, believe the ultimate prize is but hours away. The leader's voice is wrecked but his temper has not frayed.

The entourage appears deeply drained but highly relieved that the slog is over.

But there is also controlled exhilaration. When an aide remarked on the late flight back from Lancashire "this has been the easy bit, from Friday we start the real job," she meant it.

Talk of how Gerald will perform, whether Gordon will strike up a healthy relationship with business, who will be the first cabinet member to get the chop is all discussed with an impressive air of certainty. The language of speculation has drifted away.

But throughout the last few hectic hours of plane-hopping, photo-calls and sound bites Mr Kinnock's men and women have been anxious that no one should go over the top in public and risk offending those who remain undecided by displaying a touch too much triumphalism.

The accusation originated after the Sheffield spectacular, a rally Mr Kinnock defended as a "joyous expression of confidence and unity" but which critics portrayed as arrogant and over-confident.

The campaign tactics surrounding the leader remained unchanged until the final hours. Mr Kinnock was enveloped in the trappings of a senior statesman, hopping from aircraft to Daimler to selected audience, his every handshake orchestrated to perfection.

The public has rarely had the chance to tackle the would-be prime minister in the way allowed on the few television and telephone confrontations which have brought back a taste of excitement and danger to the hustings.

Colin Beere

On the button: Tony Banks, contesting Newham North West, with Pearly royalty at Labour's eve-of-poll reception for London candidates yesterday

Evidence of them-and-us attitudes remain

FT writers report from around the country on the critical issues that have emerged

SCOTLAND: The final pre-election polls in Scotland have not been encouraging for the Scottish National party, **James Buxton and Bethan Hutton write.** Three polls yesterday showed the party's support declining by about 2 points, to between 24 and 25 per cent.

While both Labour and the Conservatives publicly took comfort from the apparent decline in the nationalists' fortunes and from a decline in support for independence, opinion polls have in the past understated the SNP's support. In any case, the nationalists' position in the polls is still nearly double what it was in 1987.

In addition, the outcome in many key Scottish constituencies, where four parties are contesting marginal seats under the first-past-the-post system, is virtually impossible to forecast.

A poll for The Scotsman newspaper, while showing Labour and the Conservatives unchanged on 41 per cent and 22 per cent respectively, showed a 2-point rise in backing for the Liberal Democrats, to 11 per cent. Although that is well below their average of 18 per cent in national surveys, much of their support is entrenched in rural constituencies where individual MPs have strong personal followings.

NORTH-WEST: In this part of England the country is perceived as being run from the south-east, for the south-east, **Roger Matthews writes.** Party leaders have reinforced that impression as they have increasingly relied on the electronic media to get their message across.

Local candidates make great play where they can of their affinity with the region – people in Lancashire have been heard to say "the lad's not from round here so he can't understand cotton" as a definitive reason for voters opposing a candidate.

The once and future leaders of Britain descend briefly on the region, often for a staged photo-opportunity, make little more than a passing nod to the separate needs of the area and head straight back to London.

MIDLANDS: Three weeks ago, Mr Neil Kinnock walked into Birmingham's International Convention Centre in a rally to launch the Labour campaign, **Richard Donkin writes.** But all the subsequent rallies and tours by the party leaders, played out for the media have borne little resemblance to the campaign on the ground in the west Midlands.

The candidates have at times felt remote from their leaderships and have seen a different Britain from that which comes across from the invited audiences and radio phone-ins.

Arguments about tax did not count for much in the west Midlands, where most wage earners are below the levels needed to trigger Labour's higher rates.

One in six manufacturing employees in the region rely on the motor industry for their jobs, and news that car sales fell in March did nothing to lift morale in Conservative party offices in the marginal seats. While they were solidly behind Mr Major, one could not escape a feeling that they were suffering withdrawal symptoms from the euphoria of the Thatcher years.

The fact that opinion has apparently moved little during the campaign in the Midlands has not surprised veteran party agents, who rarely worry about the issues. They wear a heavy cloak of cynicism woven from past experience.

SOUTH-EAST: In this region the sand of recession has clogged up the electoral machinery, **David Marsh writes.** And the many who feel they have lost out under the Tories are in a mood to exact vengeance.

Even if the Tories confound the pollsters and scrape home, the policies of any future Major government would be much less geared to promoting red-blooded capitalism.

In southern England, much has not changed. The division into "them and us" is still ever-present, emphasised by the separate appeal of the two main parties to different thicknesses of wallet.

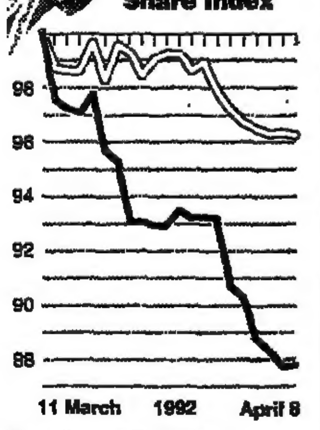
For all the modernisation of the Labour party, its candidates – on the whole more human, more humble and more humorous than the dozen Tory incumbents I have interviewed – still see that old devil "market forces" as their chief enemy.

LONDON: Labour's London campaign team thought it would be tilting at giants, but they turned out to be only windmills, **David Owen writes.**

Tory tacticians have not come up with anything remotely comparable to Labour's Big London Idea: a strategic government for the capital.

Winning the campaign will not necessarily win Labour the 21 London seats it needs to secure an overall majority. For once, though, Labour has made every effort to smooth its own path. Polls suggest that 16 or 17 gains may be within its grasp.

FT Election Share Index



● Labour win/Conservative defeat stocks ......96.15 - 0.21
● Conservative win/ Labour defeat stocks......87.94 + 0.09
● FT-SE (rebased)......94.66 - 0.46

FT ELECTION SHARE INDEX

Labour win/Tory defeat stocks (% change since March 11)	
1. BAT – profits mostly overseas	+2.5
2. ICI – ditto; kingpin of favoured manufacturing sector	−0.6
3. Blue Circle – infrastructure spending	−1.2
4. Taylor Woodrow – infrastructure spending	−1.8
5. BICC – infrastructure spending	−4.5
6. GEC – ditto, plus good at dealing with governments	−4.8
7. APV – capital goods, at core of manufacturing	−14.5
8. Rolls-Royce – ditto, plus better chances of subsidy	+3.3
9. Zetters – Tory lottery threat to pools	−4.1
10. Land Securities – gain from tight Lab planning policy	−11.4
Tory win/Labour defeat stocks	
1. Courtaulds Textiles – Lab poses minimum wage threat	−10.8
2. BET – min wage	−30.1
3. Hanson – Lab threatens curbs on UK takeovers	−3.2
4. S.G. Warburg – ditto, hitting corp finance revenues	−16.4
5. Thames Water – Lab renationalisation threat	−8.9
6. BT – Lab regulation, plus keen on fibre-optic network	−7.3
7. National Power – Lab regulation	−8.3
8. Prudential – Lab life insurance regulation	−11.5
9. Forte – min wage	-6.9
10. Whitbread – min wage, brewers' traditional Tory links	−14.4

AS THE campaign ended yesterday, those shares that might benefit from a Conservative victory moved upwards, against the trend.

This last-minute recovery of confidence in Tory prospects was only a slight one, however: less than a tenth of a point. Shares that might benefit from a Labour win dropped, by two tenths of a point. Both parts of the FT Election Share Index did better than than the FT-SE index.

During the campaign, "Labour gainers" dropped by just under 4 per cent; "Tory gainers" dropped 12 per cent; and the FT-SE index dropped 5 per cent.

The biggest changes during the campaign came on the Conservative side of the index, where five shares dropped by 10 per cent or more. The biggest loser was BET, the business services group, which lost 30.1 per cent of its value – for reasons which mostly revolved around the company itself. Other Tory losers owed more to politics: S.G. Warburg dropped 16.4 per cent, partly on fears that a Labour government would clamp down on takeover activity. Courtaulds Textiles lost 10.8 per cent, partly because of fears about Labour's minimum wage.

On the Labour side, only two shares dropped by 10 per cent or more. One, Land Securities, the UK's biggest property company, fell 11.4 per cent, affected mainly by the shadows cast by the problems of Olympia & York and Heron. The only two gainers from either portion came on the Labour side: Rolls-Royce and BAT, up 3.3 per cent and 2.3 per cent respectively.

ERM eases fear of £ devaluation

By Peter Marsh,
Economics Staff

STERLING has steadied this week as investors have reasoned that, should Labour form a government, it would be unlikely to devalue the pound from its central rate in the exchange rate mechanism of DM2.95.

Entry into the ERM 18 months ago, fixing the pound within set limits linked to the D-Mark, has reduced the opportunities for the pound to lose value as nervous financial markets have contemplated Labour's lead in the polls.

The ERM link has removed a lingering Labour nightmare: that should it be poised to take power, huge sums of money would flow out of Britain because of investors' antagonism to a change of government.

For much of the 1980s, that nightmare was made more credible by the globalisation of financial markets and the impact of telecommunications technology, allowing millions of pounds to be switched between countries in seconds.

When Labour was last in office in 1979, the potential to do this was limited by exchange controls and less-advanced technology.

Last night in London, sterling closed at DM2.8425, unchanged on the day and up from DM2.835 on Friday night.

Sterling's relative steadiness has been due to judgments by currency dealers about what would happen should sterling approach its ERM floor at about DM2.78.

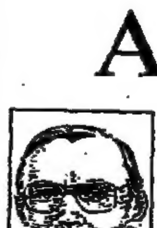
Unless Labour chose to devalue, the Bank of England and other European central banks would be forced, under the system's rules, to support the pound. As a result, at a point close to the lower limit, the pound would look undervalued, and would be bought by investors.

Mr John Shepperd, an economist at investment bank S.G. Warburg Securities, said: "The ERM has made politics less of a threat to the exchange rate."

Mr Paul Chertkow, chief currency analyst at the London office of Citibank, the US bank, said that few main players on currency markets appeared to believe that Labour would devalue. He said that among the big banks and institutions active in the market, "there is little evidence that anyone is ready to sell the pound".

City Watch: **Barry Riley**

A hard day's night



IT SEEMED that it might be one of the last opportunities for a traditional City lunch before a Labour victory. The Economics Editor was determinedly contrarian. "I have been bearish about the British economy for 10 years, but now I am going to be optimistic," he proclaimed before forecasting that the Footsie would tumble further to the 2,200 level. "With bulls like him, who needs bears?" complained a fellow guest.

Impending damage to Square Mile lifestyles was viewed with curiosity rather than anxiety by the Young Stockbroker. "I was 13 when Labour was last in power so I can't really recall what it was like," he confessed. "And remember that the foreign-exchange dealers are even younger than I am."

An entire generation of City practitioners has indeed grown up since the Conservatives came to power in 1979.

The new aggressive trading style will be strongly in evidence tonight, when many big broking firms are planning to stay open most of the night.

In gilt-edged, for instance, unofficial trading will start at about 10pm, when the official polls close and the exit polls are published, and will continue as the results are declared through the night.

Early dealing for UK and Continental clients could be replaced by US trading, and eventually the Far East may come on-line, depending on how unpredictable the election turns out to be.

The official markets are only making modest gestures to the big occasion, however. The Stock Exchange's Seaq equity trading system will open just half an hour early on Friday morning.

If Labour wins and introduces its threatened high-tax regime, will it be possible to motivate people to work the kind of hours and accept the kind of stresses which have become normal in the City of London's financial markets?

Already there are stories of many City firms rushing out bonuses by last week so that their employees could benefit from the relatively benign tax rules of the last financial year. In some cases, apparently, companies have paid the whole of the coming tax year's salaries in advance as a precaution against a threatened 19 per cent jump in the marginal tax rate.

Veterans remember the days when tax on earnings was anything up to 95 per cent. But only a few partners in City firms were liable to such rates, and then only in theory. They could hire the best tax experts to reduce tax liabilities.

Today the partnerships have nearly all been bought by big banks which may make it harder to remunerate people in a tax-efficient way. On the other hand, in the absence of exchange controls a whole new category of avoidance schemes has become possible. A recent colourful example was the device of avoiding National Insurance contributions by paying people in gold bars lodged temporarily in offshore havens.

At the lunch the genial atmosphere failed to overcome entirely the underlying gloom. But it would take more than the approach of a fierce-taxing socialist regime to knock the Technical Analyst off his stride. He knew that sheer uncertainty was the greatest threat to the stock market.

"I take it, gentlemen, that we will all be short-term buyers of the market whatever the result on Thursday," he said.

ELECTION 1992

Major keeps post-election options open

By Alison Smith

A CONSERVATIVE opposition might not inevitably vote down a minority Labour government's first legislative programme, Mr John Major hinted yesterday, although he emphasised throughout the day that he was "stone cold certain" of a working majority.

On the last day of campaigning, he was drawn into discussion of what might happen in a hung parliament, his emphasis notwithstanding that the question was hypothetical.

Speaking on the BBC's Election Call phone-in, he responded to a question from Mr Tony Halmos, a Liberal Democrat campaign worker, by saying: "I would study what was in the programme and what I thought was in the interests of the country."

He did not know what Labour would put in its programme, but "if they put in the policies that they have at present outlined, we would certainly vote against that".

At the final morning's press conference, where he was flanked by senior cabinet colleagues, Mr Major said the party's evidence showed that the Tories would get a clear majority.

Setting out the stark choice between the parties over a range of issues from the economy and taxation to choice in housing and education, he added that if it were not for the "bruises" caused by the recession he did not doubt that the Tories would have an increased majority.

He also rejected any idea that he might regret having embarked on the health service reforms, which have been a focus for Labour claims of a "two-tier" health service.

The reforms were, he said, providing better health care for everyone, and he predicted that by the time of the election after today's, the overwhelming majority of people would be defending them.

Later, he highlighted the movement back towards support for the Tories over recent days. "I'm finding day after day that there is slippage back into our column, back into our camp, back into our sort of Britain," he said on the steps of Dulwich Conservative Club.

"We have plans for the future of Britain that no other party can match, prospects for the future that no other party can deliver, and ambitions for the future that no other party can contemplate."

In Lewisham, where the Tories hold two seats by small majorities, Mr Major met again the man who signed him up for the Brixton Conservatives in the early 1960s, and was involved with him in soapbox politics.

Mr Derek Stone, a builder from south London, said that he and Mr Major "made a big stand, which we used to speak on on Saturday afternoons".

Ashdown claims victory in battle for high ground

By Ralph Atkins

THE LIBERAL Democrats have stopped UK elections descending into US-style negative attacks and tax-based attempts to bribe voters, Mr Paddy Ashdown claimed last night at his final rally of the campaign.

Labour and the Conservatives had been forced to change tactics and move to a more positive agenda in response to the Liberal Democrat campaign, Mr Ashdown told an enthusiastic audience of party supporters in Taunton.

In a speech embracing his party's themes – particularly education – Mr Ashdown again pitched for a coalition government if today's poll results in a hung parliament.

Touring his Yeovil constituency, the Liberal Democrat leader warned that either an early second general election or a minority government would be damaging to Britain.

Liberal Democrats believe that Mr John Major's hint on the BBC's Election Call programme that he might not vote down a minority Labour government's Queen's Speech will play to their advantage.

Party strategists will slow events if today's poll results in a a hung parliament. Mr Ashdown told journalists: "There will be no rushing around. It is a business that must be taken carefully, the formation of a government."

He intended to have a quiet Friday "and a couple of beers or three."

At the Taunton rally, he said: "Both of the other two parties were determined in this election to concentrate on their negative attacks. Britain was in great danger of descending into a form of politics in which the party which bribed you the most was always going to win. It was the Liberal Democrats who had the courage to stand up and be counted."

He told supporters: "The more votes Liberal Democrats win, the more seats we win, and the more power we will have to ensure good government for our country." He predicted Liberal Democrat gains across south-west England: "There are beacons being lit all across the west country – Liberal Democrat breakthroughs every one."

He told his audience that the election, "is about your children, your community, your country. It is about our long-term success, as well as our short-term difficulties."

PM's brave fight against party's past

Philip Stephens weighs up the campaign performance of Thatcher's heir

IF Mr John Major loses today's general election it will be because he has failed to disentangle himself from his party's past.

The judgement of history might well be that after a brief 16 months in Downing Street the prime minister was faced with an impossible task. No party since the Napoleonic wars has won four successive terms in office. He is seeking to match that record in the midst of the worst recession in living memory.

But if Mr Neil Kinnock stands on the threshold of 10 Downing Street tomorrow morning, the judgment of the present may prove a great deal harsher. An election defeat could well be followed by a leadership challenge.

In personal terms Mr Major has fought a brave election. He has been as energetic and determined as could be expected of any leader. Predictions that he would crack under the pressure of a month-long campaign were proved wrong. There have been gaffes, but fewer than were made by his predecessor in 1987.

His personal rating in the opinion polls has dropped. As a candidate for office rather than a prime minister, he has sometimes looked ill-at-ease and vulnerable. Neither trend surprised those who have followed previous elections; and Labour as well as Conservative candidates testify that on the doorstep he has remained an asset to his party.

But to win elections it is not enough to be brave. Nor is it enough to be nice.

Mr Major's appearances on an old-fashioned soapbox jarred with those who view election campaigns through the establishment prism of Westminster. The prejudices of the chattering classes may not matter. But it was a style that diminished the image of the international statesman which had been so carefully constructed in Downing Street.

If the opinion polls are right, his you-get-what-see honesty and decency have not persuaded enough voters to forgive his party the poll tax and the recession.

Mr Major's promise of a different future has not been projected with great enough clarity to wipe out painful memories of the past.

From the outset he was relying on the contrast between his leadership and that of Mr Kinnock to boost the Conservative share of the vote. The polls say that share has fallen during the campaign.

His advisers always overestimated the part that personal popularity plays in politics. The electorate, after all, voted for that nasty Mrs Margaret Thatcher in 1979 when the avuncular Mr James Callaghan had a strong lead in the ratings.

It is the message that counts. The prime minister's best hope was that his prospectus for the 1990s – wealth creation and welfare side by side – would persuade the electorate to look to the future rather than the past.

The Conservatives always knew that after three terms in office the most resonant chord Mr Kinnock could strike would be time for change. Mr Major, they said, would offer that change, depriving Labour of its most powerful message. That was why Mrs Thatcher had been toppled.

But instead it has been an election campaign in which the new prime minister never quite explained to the voters just who he was. The electorate was told he could be trusted; but to do what?

Mr Major is not a Thatcherite. As he explained again yesterday morning during some bruising encounters on the BBC's Election Call programme, nor is he a politician driven by ideological certainties.

He works from a set of principles – belief in individual choice, responsibility and ownership – which are as true to the tradition of One-Nation Toryism as they are to the theology of his predecessor.

His election manifesto replaces the radical zeal and simple truths of the Thatcher years with page after page of dispassionate pragmatism. She was determined to change the world from the top down, her successor promises to work from the bottom up.

Mrs Thatcher herself offers private testimony to the break with the past. Despite her public loyalty during the campaign, her disdain for the policies of her successor is an open secret. She believes that he has been too lax over public spending and borrowing; she is dismissive of the Citizen's Charter; she is convinced that he gave too much ground to Britain's European partners at the Maastricht summit.

Mr Major, though, has not been not prepared to admit – let alone proclaim – a distinctively different agenda. Nor has he shown the sheer force of political personality which allowed Mr Michael Heseltine to pretend that there was no contradiction between conviction and consensual politics.

At times the prime minister tried to fight the election on his own record: victory in the Gulf, a return to consensual government, abolition of the poll tax, better funding for the welfare state and the deal at Maastricht.

But the cautious politician who climbed the ladder to Downing Street by making friends rather than enemies was not willing to disown the errors made in the triumphalist aftermath of the 1987 election victory. I am not Mrs Thatcher, he would say, but I greatly admire her.

There was a record to defend – the replacement of statist with market economics, the taming of the trades unions, privatisation, the spread of ownership. But Mr Major found himself dogged during the campaign by the two most damaging mistakes of Mrs Thatcher's government: the economic boom which brought the recession in its wake, and the poll tax.

Time and again the prime minister was asked to apologise for those mistakes. Time and again he demurred. On each occasion the credibility of his promise of a different future was diminished.

The identity crisis brought a series of swerves in his party's campaign. Mr Major began with the proclamation of his caring Conservatism, lurched into a defence of the incomes of the affluent, and then retreated into a less-than-convincing defence of the Thatcher revolution.

For a week the campaigning became entirely negative – until the party discovered that a bruised and disgruntled electorate wanted to told why they should vote Conservative as well as why they should not vote Labour.

The most powerful message of the campaign – that Mr Kinnock's tax and spending plans would abort the economic recovery promised by a Conservative victory – was persistently obscured.

It may well be that the opinion polls will be proved hopelessly wrong. That in the privacy of the ballot box the voters will decide to forgive the prime minister his party's sins for fear of Labour's tax plans.

If that happens, Mr Major will be free of the baggage of his past, with a mandate to shape his own political identity. If Mr Kinnock wins, Mr Major's party may prove as unforgiving as the electorate.

Tony Andrews

A nice man goes walkabout: but Mr Major's courage and conviviality may not be enough

Lib Dems hope for two votes in Solihull

Paul Cheeseright hears the final verdict of the Martins, the FT's family of floating voters

MR NEIL KINNOCK's final attempt to lure floating voters into the Labour net has failed to reach the Martin family.

This evening, when Lyn, Tony and their first-time-voting son, Russell, walk out into Keswick Road, Solihull, on their way to the polling station, the Conservatives will be sure of one vote and the Liberal Democrats can count on one – probably two.

The Martins have never taken an election as seriously as this one. "We started the campaign with an open mind," said Tony. They have watched the news, seen the party election broadcasts, grown weary of the debates on TV and felt, latterly, that they were being side-tracked. "Instead of getting to grips with it [the issues], it's all about this PR," complained Lyn.

The Martins: one Tory, maybe two Lib Dems

She, like her mother, will vote Conservative. But not, it appears, with vast enthusiasm. "I think it's a case of 'better the devil you know'," she said.

"We've fared quite well under the Conservatives. There've been times with the high mortgage rates when we've really struggled." Then, as an afterthought, "but we struggled under Labour".

Tony has been impressed with the way Mr Paddy Ashdown has handled the Liberal Democrat campaign. He voted Labour in the 1970s, following his parents who now have switched to the Liberal Democrats. For a spell in the mid-1980s he was, somewhat reluctantly, a shop steward. That scarred his thinking. "If I thought Labour would get in, I'd vote Conservative. But if it's going to be a hung parliament, I'm inclined to vote Liberal Democrat."

Russell has not made up his mind. "I've still got time. I want to let it go right to the wire." But he is edging towards the Liberal Democrats. The poll tax has coloured his view of the Conservatives: "It was a mistake and yet they know it was a mistake. It's the one mistake that's forced me away from them."

Like his parents, Russell concedes that "Mr Kinnock has brought a lot of good things up". But he draws back. "The way, like, Kinnock avoids things. I don't like people like that. I like people like Paddy Ashdown who hit things on the head." Still, he views the prospect of a Labour government with a detached equanimity. "If they do get in, I'd be ready to give him [Mr Kinnock] a fair crack of the whip."

Lyn and Tony are more fearful. The past dogs them. "Labour is so union-oriented. There'll be lots of strikes again," said Lyn. Tony argued: "I think with Labour they're manipulated a bit by the unions. It's just been pushed to the background." Labour's campaign has failed to break down this resistance. "Mr Kinnock just aggravates me," confessed Lyn. Tony said: "I don't think I could trust him."

Kinnock stresses reconstruction

By Michael Cassell

MR NEIL KINNOCK, Labour leader, last night made an eve-of-poll appeal to the electorate to reject a "Tory future of insecurity, rundown and division" and to allow a Labour government to build a Britain capable of becoming a "pacemaker in Europe".

With hours to go before polling started, Mr Kinnock told a rally in Barry, South Wales, that Britain wanted a government that pulled the country together and pushed it to greater achievements.

He said the election would not be won as a result of three weeks' campaigning but because of the government's long record of "failure and fracture". The Tories could not escape a past of complacency about the state of the economy and "contempt for the very idea of society".

The Labour leader said: "The Tories cannot escape their own record. Tomorrow they will not escape the verdict of the people. People want to be rid of them."

Mr Kinnock said his government would immediately begin the task of getting Britain out of recession. The need for action to reconstruct its industries, sciences and skills was urgent, with only eight months to go before the nation was forced to compete in the world's biggest single market.

He highlighted Labour's programme for increased investment in education and in the National Health Service, and said a priority for Labour would be the building and repairing of homes so that families did not have to suffer "the misery and insecurity of bad housing, overcrowding and homelessness".

Mr Kinnock accused the government of concentrating power in its hands and of becoming "frenzied with deregulation in standards of safety and probity". They had been hyperactive in cutting top tax rates and slicing bottom-rate benefits. Their failure to build up the economy and invest in the nation's future had been a matter of conviction and doctrine, a belief in leaving the future to chance.

Mr Kinnock said that Labour pledged to "make the break" with the Tory years and to build industrial success and civilised standards. The task could not be accomplished overnight, and he was not promising miracles. By the end of this century he wanted Britain to celebrate the millennium with something better than a big New Year's Eve party. He wanted to put Britain "back in the lead where it belonged".

Lamont right at the end

As the campaign drew to a close, it was difficult not to feel sorry for Norman Lamont.

The chancellor shot his credibility last year by prematurely predicting an economic upturn "round the corner" and espying too soon the "green shoots" of recovery, and so has been in no position to exploit several recent signs of the economic revival.

If it takes at least three bits pieces of evidence to make a trend, there is reason to hope for better times ahead.

One survey this week has found a majority of UK businessmen expecting higher orders and sales.

Another report says that Britain's purchasing managers are buying more.

Retail sales have edged higher for two months and consumer confidence has risen.

Such evidence may not be enough to declare an end to the recession.

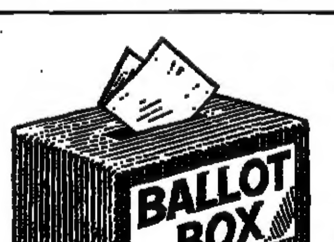
But should we be surprised, if, at some point in the future, statistics show that the British economy was moving upwards in April 1992?

Still friends

Yesterday's note about the Conservative party advertising campaign brought a forthright response from Saatchi and Saatchi Advertising.

Bill Muirhead, the chairman and chief executive, says that the firm's relationship with Conservative Central Office is excellent, and that there is absolutely no question of the account being "as good as lost."

Meanwhile, it's back to nail biting.



Murdoch solid

No election eve nerves on the part of Rupert Murdoch. Some thought his British newspaper empire might at least hedge its bets in the face of a possible Labour victory, but yesterday demonstrated otherwise.

Although Today, Murdoch's faltering middle-market paper, has conducted a fair-minded election campaign in terms of its reporting, its final editorial came down squarely behind John Major, as the man to trust with Britain's future.

Predictably, The Times, having visited briefly the arguments for Labour, also argued for the "likeable, competent and honest" Major.

The Sun took a promiscuous two pages, including the front, to make the same point.

Murdoch's Sunday papers have already assembled in the blue square.

Labour has thus been given no reason to draw back on its manifesto threat to bring the Monopolies and Mergers Commission into the media industry, a move inextricably linked with the party's desire to roll back Murdoch.

Some think that faced with a choice, Murdoch might go for TV rather than print. Given his sensitive relationship with his banks, however, it's hard to see him selling cash cows like The Sun, the News of the World and the Sunday Times. Today, however, could be gone tomorrow and, who knows, perhaps The Times would be vulnerable too.

Not so Bright

Graham Bright, John Major's portly parliamentary private secretary, has been having at least as difficult a campaign as his political master.

As MP for Luton South since 1979, Bright is defending a 5,115 majority against Labour's Bill McKenzie, a former Price Waterhouse partner who gave up his accountancy job to fight the seat in 1987.

Bright has already accused McKenzie's wife of organising a "mob" of "thugs" who barracked the prime minister when he visited the town. Under pressure from McKenzie's solicitors, he was forced to issue an embarrassing apology.

Next Bright alleged that, if Labour wins today, councils would have "compulsory powers" to repurchase homes bought by former tenants. Even Bright's agent has admitted in response to protests that the claim is overstated.

A Conservative leaflet also charges that Labour would "lower educational standards". The section is headed "Labour's disastrous programme".

Party tolls

Severn River Crossing has waited until the election is out of the way before calling a press conference next Monday to confirm that tolls on the Severn Bridge into Wales will go up from the present £1 each way to £2.80.

Severn River is a subsidiary of the Anglo-French consortium that has been awarded the contract to build the second crossing of the estuary, due to open by 1996.

Tolls are such a contentious issue in Wales that an announcement of an increase before the election could have had all sorts of consequences.

The Welsh Nationalists would like them abolished altogether. Labour would like them to go, but can't afford to promise. Only the Tories are in favour with David Hunt, the Welsh secretary, saying that higher tolls are a price worth paying for the second bridge.

Absent Bond

In the end he never came. All through the campaign the Scottish National party never killed off the prospect that Sean Connery, the Scottish-born actor who was converted to their cause last summer, would at some stage make a personal appearance at a party rally.

His voice but not his face featured on some of the SNP's broadcasts. But in the end he stayed away, apparently at home in Marbella, as very likely he had intended to do all along.

Unions review party funding

By David Goodhart, Labour Editor

STATE FUNDING for political parties, promised in Labour's manifesto, would loosen but not sever the ties between the party and the trade unions that finance it, according to Labour and union officials.

The ties are under review, with both sides agreed that a more distant relationship is in their mutual interest. State funding would be a financial relief for the Labour-affiliated unions, which at present finance about half Labour's running costs between elections and nearly all election spending.

Mr John Edmonds, leader of the GMB general union, believes his proposal for scaling down the union block vote at Labour conference from 90 per cent to 50 per cent is likely to be accepted more quickly, probably within the next three years, as a result of the prospect of state funding.

Labour officials argue that the "political ballast" provided by the unions at party conference, and in the electoral college that elects the party leader, will continue to be required to counterbalance the unreliable constituency parties.

One Labour official said: "The relationship has always been about a lot more than money, and our political links will stay for the medium term."

The unions will increasingly shift their influence to constituency parties, where they will hope to encourage more of their members to join the Labour party. State funding would allow the unions to continue the trend of concentrating a higher proportion of their spending on elections alone.

State funding might face considerable political and popular opposition, but it is supported by the Liberal Democrats.

The main Labour-affiliated unions have to ballot their members in 1994 on whether their political funds should be retained. Last time the unions won those ballots with ease, partly based on the argument that without union political funds the opposition would be starved of cash.

Rise in truck sales signals market upturn

By Kevin Done, Motor Industry Correspondent

THE FIRST sign of the start of a recovery in the UK new vehicle market emerged last month with a rise in the sales of heavy trucks, the first monthly year-on-year increase since September 1989.

While new registrations at the light end of the commercial vehicle market, led by sales of small vans, continued to fall heavily in March – in line with the continuing decline in the car market – registrations of heavy trucks (above 15 tonnes) in March were 18 per cent higher than a year ago. As a result, heavy truck sales for the first three months at 4,250 showed a year-on-year increase of 2.7 per cent.

The commercial vehicle sector is a significant economic barometer, with vehicles going to many key sectors from retail distribution to construction.

Truck makers have suffered their steepest decline of the post-war period with sales falling last year to the lowest level since 1954. More than half the market has disappeared since late 1989, and heavy truck sales were one of the first segments of the UK vehicle market to show the impact of the gathering recession 2¼ years ago.

In part, heavy truck sales last month were artificially inflated by a change in safety regulations, with mandatory fitting of anti-lock braking systems from April 1. This had the effect of pulling some registrations forward into March, but heavy truck makers insisted yesterday that the market had bottomed out.

"The market [for heavy tractors for articulated trucks] stopped falling in the last two months of last year and there is now an upward trend," said Mr David Thomas, director of the truck division of Mercedes-Benz (United Kingdom).

The rise in demand is coming from the medium and long range distribution sectors, such as the oil industry, where safety regulations limit the age of trucks in service. Sales to the construction industry remain very depressed.

Tony Larkin

Breakfast special: BR's Deborah Bunker serves Jean-Etienne Giamarchi on yesterday's Paris-Brussels express

BR serves up alternative to petit-déjeuner

INTERCITY, the British Rail flagship, contributed to its own *entente cordiale* this week by serving up bacon and black pudding on the Paris to Brussels early-morning express, writes Richard Evans.

Continental travellers have had their croissants and coffee supplemented by BR's "Great British Breakfast" as part of an InterCity campaign to dispel its reputation for not-so-haute cuisine.

In a week-long experiment, a team of InterCity executives, chefs and stewardesses are serving full British breakfasts on the 7.05am businessman's express from Paris, and an evening meal on the journey back from Brussels. Out of 150 customers in three dining cars yesterday, 70 per cent opted for the British breakfast rather than the meagre local alternative. Most chose bacon, sausage, tomatoes, mushrooms, fried potatoes and black pudding.

Mr Terry Coyle, InterCity's director of on-board services, claims: "InterCity catering is the envy of most European train operators...we would not be doing this if we thought it would not be totally successful. French trains have nothing like it."

Court gives BCCI creditors more time

By Raymond Hughes, Law Courts Correspondent

CREDITORS of the collapsed Bank of Credit and Commerce International (BCCI) have been given another four weeks in which to make up their minds about draft agreements to settle their claims.

The London High Court yesterday overrode objections from the BCCI liquidators, who had sought immediate court approval of the agreements, and adjourned the matter until May 11.

The agreements, involving the injection of nearly $1.7bn by the government of Abu Dhabi, were the best option available for thousands of BCCI creditors worldwide, the court was told by Touche Ross, the BCCI liquidators, who negotiated the package with Sheikh Zayed of Abu Dhabi, the majority shareholder of BCCI.

The liquidators said it would increase the estimated return to creditors from the range of 0-10 per cent to 30-40 per cent, with a first payment of 10 per cent in early 1993.

Sir Donald Nicholls, the senior Chancery Division judge, said the creditors' committee had been unable to make any independent assessment of claims against the Abu Dhabi government and the majority shareholder which, under the proposed agreements, the liquidators and creditors would surrender.

The committee was concerned that creditors were being asked to abandon claims without adequate information about the prospects of those claims, the judge said.

Before the major provisions in the draft agreements would take effect creditors with admitted claims totalling $7bn had to accept the offer and release claims against the Abu Dhabi government and others by, in the first instance, September 30.

More immediately pressing was the liquidators' stipulation that court approval should have been obtained, and the time for appeals have expired, by June 30.

Sir Donald said that, while it was important to bear that deadline in mind, "I am impressed by the need for the creditors throughout the world to have the benefit of informed recommendations from the creditors' committee as far as that can reasonably be achieved."

He was also impressed by the court's need to have the benefit of such recommendations before deciding whether to approve the draft agreements.

The judge had been told that hearings seeking court approval were due in Luxembourg on April 28 and the Cayman Islands on April 30. He said he did not think an adjournment to May 11 would cause insuperable problems for the other courts.

The English liquidators of BCCI said later that they were disappointed by the adjournment, but would do all they could to prevent the delay harming creditors' interests – though "the timescale envisaged by the agreements is very tight indeed."

Union seeks unilateral action on shipping safety

THE RMT transport union, yesterday urged the British government to break ranks with the world community and introduce tougher legislation on shipping safety, writes Catherine Milton.

Mr Tony McGregor, assistant general secretary of the RMT said: "Seafarers should not have to wait for the world to agree safety standards. Lives are at risk while other countries prevaricate."

The statement follows a meeting in London of the International Maritime Organisation (IMO), the UN agency which draws up safety standards. The IMO says states needs to act unanimously and warns of chaos resulting from different national standards.

The procedure is slow. Safety standards for new ro-ro ships, of the Herald of Free Enterprise type, came into force three years years after the 1987 disaster which claimed almost 200 lives.

Mr William O'Neil, secretary general of the IMO said: "Despite the efforts of some states, the number of substandard ships sailing the ocean is too high and the loss of life is unacceptable."

World shipping was facing enormous problems due to ageing fleets, higher replacement costs, poor safety standards and an acute shortage of manpower, he added. While compromise on certain points was inevitable, "such compromise must provide a level of safety that is acceptable to the entire shipping world."

Britain in brief

Charity faces inquiry over political links

The Charity Commission has launched a preliminary investigation into the activities of a UK-based charity because of its connections to a newly-founded political party which has been actively campaigning for votes in the election.

It emerged that the Commission has approached the registered charity the World Government for the Age of Enlightenment of Great Britain for information regarding its links with the Natural Law Party which is fielding over 310 candidates and conducting one of the more expensive advertising campaigns of the election.

The Commission is trying to establish whether the charity may be in breach of regulations by straying too far into political activity. The charity denies it has broken commision rules.

Demand for executives rises

A new poll of business sentiment and a pick up in demand for top executives in private industry yesterday signalled an improvement in UK company performance and added to evidence of a possible end to the recession.

A survey of business leaders by the Institute of Directors showed that sales volumes, profits and employment expectations have recovered to levels last seen in June 1990, before the Iraqi invasion of Kuwait and the sharp downturn in economic activity in August that year.

Spending cut in chemicals

Capital expenditure by the recession-hit chemical industry fell 13 per cent in 1991 and will fall a further 10 per cent this year.

The fall in 1992 spending, predicted by the Chemical Industry Association, is in spite of record sums being spent by the chemicals sector on environmental protection, and substantial amounts invested by the pharmaceuticals groups on research and development.

The association said since January little had happened to improve prospects of an economic recovery either internationally or domestically.

Nissan UK directors bailed

The deputy chairman of Nissan UK, and the company's former finance director, who are accused of cheating the Inland Revenue of corporation tax, have been remanded on bail until May 20 by magistrates in Sussex.

Mr Michael Hunt, deputy chairman and assistant managing director, is charged with dishonestly arranging for falsely inflated invoices and for the submission of accounts in which Nissan UK's net pre-tax profits were understated by about £100m.

Mr Hunt and Mr Frank Shannon, former finance director, each face a similar charge in which the alleged understatement of profits was about £50m for an earlier period.

Bank criticises retailers

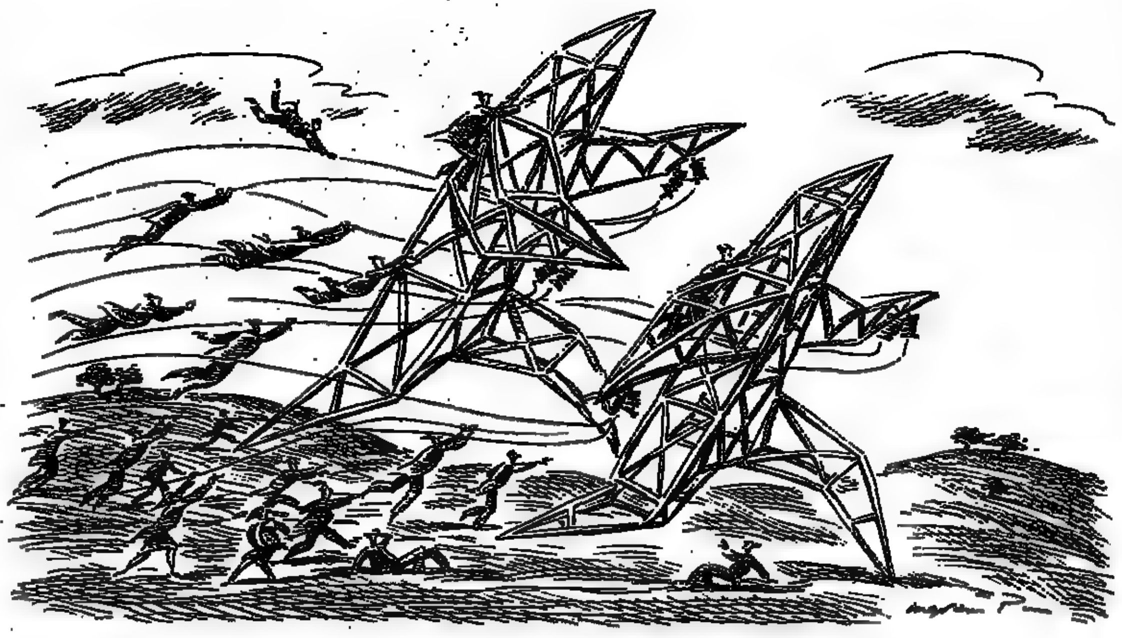
Barclays Bank has attacked retailers, accusing them of blackmail and holding customers to ransom in their efforts to prevent banks raising their credit and debit card charges.

The claim followed revelations earlier this week by Tesco, the food store which chairs the Debit Card Users Group, that banks charge substantially more for each debit card transaction than they do for cheques. "Over the last three years card processing charges levied on retailers have reduced sharply – by over 25 per cent on credit cards and over 40 per cent on debit cards. Consumers have not seen the benefits of these reductions in the prices they pay at the point of sale," said Mr Richard Reay-Smith, chief executive of Barclays Central Retail Services Division.

TECHNOLOGY

Clive Cookson looks at how privatisation has affected the R&D activities of Britain's electricity industry

A shock to the system



R&D SPENDING on research and development has been one casualty of electricity privatisation in the UK. The new companies have closed laboratories inherited from the Central Electricity Generating Board, made many scientists and engineers redundant and reduced the scope of their R&D.

The size of the decline is uncertain, since the privatised R&D arrangements are not yet fully in place and the companies have been slow to disclose their new levels of research spending.

In evidence for last month's Commons Energy Committee report on electricity privatisation, the Watt Committee on Energy, an independent group, estimated that National Power, PowerGen, National Grid and Nuclear Electric spend less than £100m a year between them on R&D. That compares with the CEGB's R&D budget of £200m in 1988-89, the last year before it was broken up.

As the Watt Committee commented: "For a high-technology industry with sales exceeding £5bn per annum and facing both supply and market developments together with a degree of uncertainty in the medium- to long-term future, a total spend of . . . less than 2 per cent of sales seems anomalous."

Most hostility has come from bodies representing the R&D staff hit by the cuts. Patrick Hanson, national research officer of the Electrical Power Engineers' Association, said the energy secretary in the government elected today should use powers under the Electricity Act to fund research in the national interest which had been abandoned by the privatised industry.

However John Wakeham, the outgoing energy secretary, said that, while it was too early to be certain, "the run-down by the old CEGB research establishments is probably being compensated for in a pretty efficient way by manufacturers of products and users of products seeking to do the necessary research in order to assist themselves in the market".

The privatised companies agree with him. "In the long term, manufacturers, suppliers and research institutions will be stimulated to fill the gap," predicted East Midlands Electricity. "This will result in a healthier, more competitive and more commercially focused R&D activity."

The new R&D arrangements of the non-nuclear parts of the industry are:

● National Power, the largest generating company, is closing its main laboratories in Leatherhead, Surrey, where 200 scientists and 250 support staff worked. It is setting up instead a streamlined research and technology division at its business centre in Swindon, Wiltshire, with 100 scientists and 30 support staff. R&D spending will fall from £26m to £14m a year.

● PowerGen, its smaller competitor, has closed the Marchwood laboratories in Hampshire and concentrated R&D at its Ratcliffe Technology Centre near Nottingham. The number of scientists employed has fallen from 190 to 40. PowerGen's R&D spending will fall from £14m to £8m a year. This includes a payment of $3.3m a year to the Electric Power Research Institute (EPRI) in the US.

● National Grid, the transmission company, has set up a technology and science division with 210 scientists and support staff in Leatherhead. In contrast to National Power and PowerGen, its R&D spending has gone up slightly – from about £6m a year when transmission was something of a Cinderella subject within the CEGB to £8.2m now.

● The regional electricity companies, which distribute power to consumers, support R&D through EA Technology in Capenhurst, Cheshire. Collectively they underwrite about £13m of EA Technology's £20m a year budget and spend a further £4m on individual projects.

Peter Chester, who retires this month as National Power's executive director for technology and environment after supervising the R&D restructuring, says this was a response to the profound shift in technical strategy which accompanied privatisation. Instead of the planned expansion of large coal-fired power stations designed by the CEGB, National Power is building smaller gas-fired combined cycle plants designed by international power engineering companies.

'For a high-technology industry with sales exceeding £5bn per annum, a total R&D spend of 2 per cent of sales seems anomalous'

"One consequence is a much reduced call for 'research' in support of existing plant; in future this will be supplied mainly from within the engineering function," said Chester.

National Power's slimmed-down R&D staff will concentrate on: strategic studies of new options for power generation such as "clean coal" technology; emission control techniques; cheaper fuels; waste-to-energy processes; co-generation; wind power development; and other opportunities for business development.

Critics have attacked National Power particularly for running down environmental research, for which the Leatherhead laboratories had a worldwide reputation. But Chester says this was inevitable. When the CEGB set up its environmental science programme 15 years ago, "major scientific questions were still open, environmental research in the universities and other institutions was relatively poorly supported and policy on reducing SO_2 and NOx was awaiting better scientific understanding. Now there are clear policies, many other players in the field and much external environmental expertise to draw on."

National Power says it is making every effort to "assist in the transfer of those skills and facilities no longer needed, to organisations that can make effective use of them". According to Carlos Lopez-Cacicedo, research and technology director, 90 per cent of those made redundant at Leatherhead have found new jobs.

The company is giving away surplus equipment that would be worth several million pounds if new. For example, Imperial College, London, has set up an Atmospheric Chemistry Research Unit on the basis of mobile laboratories donated by National Power. And the Natural Environment Research Council is acquiring special greenhouses designed to assess the effect of pollutants on plants.

As the generating companies slim down their own R&D activities, they are contracting out more research. The biggest beneficiary so far is EPRI, based in California, which carries out collaborative R&D for the US electric utilities.

Last year PowerGen became EPRI's first overseas affiliate. Its $3.3m a year subscription gives PowerGen access to a range of projects on which EPRI is spending $46m a year. EPRI has just opened a UK office in anticipation of receiving more work from the electricity supply industry in Britain and other European countries.

In the UK two electricity R&D organisations with similar names, ERA Technology and EA Technology, stand to benefit from any further contracting out of research. ERA Technology in Leatherhead (originally the Electrical Research Association) has been operating as a free-standing contract R&D company since 1973, covering electrotechnical research. EA Technology (formerly the Electricity Research and Development Centre) still depends on underwritten funding from the electricity companies but is moving to find new customers.

At the same time Stuart Excell, managing director of EA Technology, suggests that the industry's regulator, Stephen Littlechild, should give the electricity companies more incentive to support R&D – especially research into more efficient use of electricity – by allowing them to pass on the costs in increased charges to customers. "Otherwise it's like asking a company to spend money reducing its own turnover," he says.

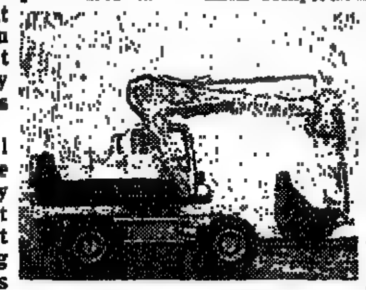
Japanese digger holed up in UK

By Andrew Baxter

Deep in the Northumberland hills earlier this winter a delivery driver complained bitterly to the manager of a quarry about the rough treatment meted out to a mysterious wheeled excavator.

The excavator, whose identifying marks had all been removed for testing, had been manufactured down the road at Komatsu UK (KUK) in Birtley. Its abuse was in a good cause, marking the end of an intensive two-year exercise in technology transfer that had produced the first Japanese construction equipment model to have been designed, engineered and built outside Japan. "For our lads, it's the first exposure to this kind of activity," says Mick Higgs, KUK's design manager.

The project is the culmination of a steady development in KUK's design expertise since the plant began production in 1987. For Clive Morton, KUK's first employee and now director of personnel and administration, it has illustrated an essential point about technology transfer – it is hard work.



"It sounds all very grand," he says. "But really it's all about day-to-day effort and concentrating on making things work. It's not somebody wafting in, throwing concepts on the table and wafting out again."

Komatsu had always intended that Birtley would progressively become an autonomous European plant. From the beginning it had a small design team, adapting Komatsu's machines to different requirements and regulations in 16 national European markets and also ensuring "buildability".

Here, says Morton, KUK went through some elementary lessons about differing approaches in Japanese and UK drawing offices. The Japanese tendency was to leave as much information on a drawing as possible, including all the design changes, whereas the UK approach was to throw away discarded versions and concentrate on the final one.

The next stage involved KUK's designers in Komatsu's Dash 5 model programme, with the Birtley team influencing the design at an early stage to ensure it would not hit problems in Europe. A Finnish distributor, for example, complained that the grab handles on the door were too small for drivers wearing thick gloves to grip.

The latest stage involves designing an entire machine that is aimed particularly at a gap in the European market and its biggest constituent part, Germany.

It has been a testing experience for both the parent company and the KUK design team, now expanded from an original 10 to 40 and linked to eight plants in Japan via a £1m Cad system.

For Komatsu, maintaining its reputation has been paramount, says Toshitaka Suketomo, KUK managing director, and the Birtley development team has followed the same procedure that the parent company uses.

The process differs from western approaches by delaying the crucial decision to build or not to build until completion of a sequence of approvals to move from one stage to the next.

The advantage, says Morton, is that it helps isolate a problem that ought to be fixed before the production decision is taken. On the other hand, some of the UK employees – keen to know whether their designs would ever become reality – found the idea difficult to accept.

Inevitably the team made mistakes, but were in close touch with Japan for guidance and also with Japanese colleagues seconded to the project. This is one reason, says Biggs, why the team is keen to have another go.

Already, design work is continuing on a smaller (13 tonne) and larger (20 tonne) version of the new PW170-5 machine, although KUK will not say when they will be launched.

The original 17-tonne machine, smartened up and its identity restored, was unveiled this week at the Bauma construction equipment exhibition in Munich.

Both Morton and Suketomo are keeping their feet on the ground about the process but two years from start to finish is a creditable debut.

MANAGEMENT: MARKETING AND ADVERTISING

Brewers move ahead in Tokyo

When Dirk Enters began marketing Heineken beer in Japan 15 years ago, foreign labels were an exotic oddity. After years of alliance-building and gradual expansion, overseas brewers are getting an intoxicating taste of what may lie ahead.

Each of the four imported beers established in Japan has tied up with one of the big four domestic brewers. Of the American groups, Budweiser has linked with Suntory, Coors with Asahi and Miller with Sapporo, while Heineken of the Netherlands has been working with Kirin.

In the past four years, both imports and foreign beers brewed under licence locally have increased their share of a growing market, although they still have only 2.3 per cent, compared with about 5 per cent held by imports in other beer drinking countries.

"This is an immature beer market," says Heineken's Enters. He notes that while consumers are inundated with new labels and advertising campaigns, Japan lacks Europe's variety of large and private labels and price competition.

The US competitors appear to be setting their sights particularly high, with their pricing and marketing strategies aimed at the mass market. Only Heineken is sticking to the premium segment.

Budweiser, the world's best-selling beer, is already Japan's top import label – its distinctive all-American label and fun-loving sales pitch seems to appeal to image-conscious young adults.

While beer may appear a popular tipple at Japanese social occasions, per capita consumption remains less than half the average in many European nations. Cultural factors are one reason, with sake and shochu highly popular. But so too is the heady cost, given the lack of price competition and the higher tax on beer than on other alcoholic drinks.

Whether foreign brewers proceed alone or with partners who have mixed feelings about their success, they will have to expand sales in bars, restaurants and discos, which still account for most of their turnover. They must also grab more shelf space in liquor shops and the growing ranks of supermarkets and convenience stores being permitted to sell beer.

The tight reins that tax collectors and local brewers have held on pricing for decades are being loosened. Last year Japan's Fair Trade Commission launched an investigation into price-fixing by the big domestic brewers. It concluded no illegal activity had occurred, but urged brewers to run ads telling retailers that their published prices were recommendations only.

The small family-run liquor shops that still dominate the retail trade remain reluctant to discount local brands, although large retailers regularly cut prices for foreign labels.

The Japanese palate seems sensitive to price.

Budweiser sales soared 80 per cent in the first half of 1990 when local brewers increased their prices. The Americans' production cost advantage has helped them narrow the gap.

Foreign brewers have one other trump card: as the beer industry becomes a global business, Japanese brewers are keen to develop their own export markets. To do so, they will need close industry allies abroad.

Neil Weinberg

Putting your shirt on power dressing

Gary Mead looks at the importance of style in politics

Aiming to show opponents a clean pair of heels (left to right): Neil Kinnock, John Major and Michael Foot

"THE first thing I noticed about Neil Kinnock . . . was the brilliant gleam from his highly polished shoes . . . This gave one a clue to the fact that he is, in fact, more self-disciplined and organised than might usually be thought."

Thus Brendan Bruce, former Conservative party communications director under Margaret Thatcher, illustrates a paradox at the heart of marketing, particularly the marketing of a political image.

The apparently trivial – the well-polished shoes – can be yoked into serving a judgment of considerable importance – Kinnock's managerial and administrative abilities. If Bruce's interpretation takes hold, then John Major could well be looking for a new job tomorrow.

But that is a large "if". A moment's reflection indicates how shallow such a judgment is; maybe all the Labour leader has done is to buy the marketing notion that human beings can be duped by shiny shoes? Was Michael Foot's sartorial inelegance really responsible for his failure to dislodge Margaret Thatcher in 1983?

I suspect that Bruce, the archetypal marketing professional, doubts that proposition. But his commitment to image-polishing (ex-Procter & Gamble, General Foods and Mars) ensures that frankness about the limitations of mass persuasion has small showing in his entertaining book.*

Together, Britain's three main political parties will have spent more than £30m on marketing techniques in an attempt to form the next government. It has been an election largely waged by party backroom activists who have uncritically gobbled up the magic of unsophisticated marketing handbooks, firmly believing that image determines the outcome.

But as Bruce points out, image-polishing is a weapon with only supportive value. The trouble is that in a neck-and-neck race, marketeers are tempted to get bigger than their boots.

Thus as Labour and the Conservatives have chosen to slug it out on each other's traditional territory – the one trying hard to prove its competence to manage the economy, the other selling a newly-found adherence to the welfare state – the internal recriminations are being laid at the door of supposed failures by the "communications directorates".

This argument suggests that if only they had rubbed harder on the shoes of their leaders, then victory might have been snapped from the jaws of defeat. That is not an entirely ridiculous notion. Bruce says that "the impact we make on others depends on the following: how we look and behave – 55 per cent; how we speak – 38 per cent; and what we say – only 7 per cent."

But Bruce is more clever than that. He reminds us that marketing is a necessary, but not sufficient, condition for persuading consumers, be they of chocolate bars or election campaigns.

He thus castigates politicians for vainly hoping that, in a tight spot, lip gloss can conceal a lack of substance. When old-fashioned ideas like leadership, integrity, clarity of vision and principled policy-making have apparently retreated in the face of image manipulators, surely he who captures the cosmetic tendency will also capture power?

Facts dispute that belief. There is a view that Labour "fought the best campaign" in 1987, and Kinnock certainly had a 45 per cent popularity rating against Thatcher's 41 per cent.

But much good that did Labour. So although there is little doubt that in 1992, Labour has again led the marketing slickness field, that may not be enough to overcome suspicions that behind the face-paint is wrinkles.

All that image makers can do is to help the tide on its course. Bruce recalls that Hitler, who "had studied advertising techniques and concluded that consistency and perseverance were the twin secrets of success", made full use of a wide range of techniques.

Long before the current campaign, Hitler employed stooge audiences, warm-up men, snappy logos, media manipulation, even direct mail – posting tiny gramophone records of his speeches to supporters. Today's image massagers resort to many of the same tactics.

But hyper-inflation and a febrile state structure gave room for Hitler's marketing techniques. Marketing can only ripen; it cannot germinate.

Bruce is thus led to some robust conclusions, which future political leaders might well bear in mind:

● No amount of talent or hype can convince the voter that a sow's ear is anything but that.

● A popular and respected leader in charge of an unpopular party will usually lose.

● An unpopular leader in charge of a popular party will probably win.

● No political image maker can afford to ignore the leader's personality but if that is at the expense of communicating the benefits of policy, then it is always wrong.

● Those who mistake "production values" for content are destined for a shock at the polls. Voters make a choice based on the credibility of promises, not on the track record of film directors.

On those premises the current race must still be wide open.

*Images of Power: How The Image Makers Shape Our Leaders. By Brendan Bruce, Kogan Page, 192 pages, £16.95.

Cleaning up on the housewives' choice

Who is the TV advertisement for sanitary towels with wings supposed to be aimed at?

Who are those "housewives" who sit around with Clare Raynor, the agony aunt, enjoying a televised discussion about how dry their panties are?

Where are the women who are moved by those whizzo cookers that produce food good enough to please the in-laws?

Selling to women is a profitable business: the market is expected to reach £90bn by the end of the decade. Women are big buyers not just of cosmetics and cleaning fluids, but increasingly of cars and financial services, markets which were once the preserve of men.

Yet the content of advertisements meant to tap this market often bears little relation to the kind of women likely to buy the products.

The ad agency's "housewife" still loves cleaning and cooking – she sometimes even spills things for the fun of cleaning up again. The new and equally implausible stereotype shows female top executives with sheer stockings and trim briefcases slipping into chauffeur-driven cars.

Four real-life women, all ex-advertising agency and all with families, last week got together to form what they claim is the first advertising and marketing service geared at selling to women.

They say it takes one to know one: as 90 per cent of ads are written by men, it is not surprising they fail to hit the mark.

But surely these big companies have done their homework, and continue to use such advertisements because they work?

"They spend millions on advertising. If they used more tasteful advertisements, they might not have to spend so much," says Anne Irwin-Brown, one of the four.

An example of an advertisement that she thinks has got the balance right is for Oxo, in which the woman has a job, a sense of humour and a family, and is dashing out to an evening class.

The problem goes deeper than just advertising, according to Irwin-Brown.

While car companies, for instance, have long recognised that they should aim their advertising at women, the marketing message has not really got through.

Indeed, the average car dealer, who is going to be making the sale, still tends either to flirt with or patronise his female customers.

Lucy Kellaway

*The Female Advantage/Notman Parminter. Tel:0243 513 438 or 071 431 5614.

BUSINESS LAW

Streamlining agreed offers

By Edward Greene and Daniel Braverman

The agreed bid by Blockbuster Entertainment Corporation for Cityvision plc, which went unconditional on January 22 1992, was a breakthrough in cross-border acquisitions involving US and UK companies.

For the first time, a US company was permitted by the US Securities and Exchange Commission (SEC) to offer its shares to the US shareholders of a UK target on the basis of a UK-style offer document, supplemented with the most important information required by SEC rules.

Complex legal and commercial issues arise when a US company wishes to offer its shares in exchange for those of a UK company.

On the UK side, two requirements impose significant constraints on the conduct of the offer. First, if the acquirer wishes to make use of the streamlined procedures of section 428 of the Companies Act 1985 in order to squeeze out any minority shareholders remaining after the offer is completed, the same consideration must be offered to all, not differentiating between US and UK shareholders.

Second, the formal offer document must be mailed not more than 28 days after the offer is announced, and, under both US and UK disclosure rules, the timing of the announcement itself depends on when an agreement to proceed with the offer is reached.

On the US side, the most important constraint is imposed by the requirement that a registration statement be filed and declared effective by the SEC before the formal offer document is mailed.

SEC rules require that, if the acquisition is material, (as defined by rules measuring financial impact) the bidder's registration statement must contain audited financial statements of the target company, *including balance sheets for its* two most recent financial years, income statements for the three most recent years and corresponding cash-flow statements (which differ from UK-style source and applica*tion of funds statements).*

In addition, certain audited financial information – the main balance sheet and income statement items – must be provided for the target's five most recent financial years.

While the financial statements and information may be presented on the basis of UK Generally Accepted Accounting Principles (GAAP), audited numerical reconciliations to US GAAP of the principal balance sheet and income statement item must be provided for each of the five years for which information is given. Moreover, *pro forma* financial information showing the accounting effect of the combi*nation must be provided* for the most recent 12 months.

The target's management must provide a detailed discussion and analysis (MD&A) of the target's financial results and condition for at least the three years covered by the audited financial statements.

In the Blockbuster/Cityvision offer it was essential that Blockbuster should be able to use the streamlined squeeze-out procedures provided by the Companies Act. Blockbuster was advised that this would be permitted, in an offer that included both a cash and a share alternative, only if both were made available to Cityvision's UK and US shareholders, the latter representing about 8 per cent of the total when the offer was announced on November 22 1991.

Since a share alternative was desirable as a business matter, the US registration requirements had to be confronted. A *private placement of Block*buster shares to Cityvision's US shareholders could have been made pursuant to an exemption from the registration requirements, but the procedures and restrictions that *such a placement would entail* were not practicable given the size and quality of Cityvision's US shareholder base.

The offer and sale might also have been made entirely outside the US, pursuant to the *exemption from the registra*tion requirements provided by Regulation S. However, since Blockbuster shares were listed only on the New York Stock Exchange, the risk of immediate "flow-back" of the shares *into the US was too great for* Blockbuster prudently to rely on that exemption.

Indeed, this concern would have required a "flow-back" registration statement to be filed and declared effective by the time the offer went unconditional even if Cityvision had no US shareholders or if its US shareholders had been offered shares in an exempt private placement, or cashed out.

As a result, either the offer had to be registered with the SEC or the share alternative for both US and UK shareholders had to be abandoned. And since an agreement had been reached to proceed with the offer, and the offer had been *announced, before detailed dis*cussions could be held with the staff of the SEC, there were only 28 days in which to resolve all the issues raised by the requirement to register.

Cityvision's financial statements and other information required by the SEC's rules could not be prepared in time either to register the initial offering in the US or, if Regulation S were to be relied on, to register the flow-back in the US of Blockbuster shares initially offered and sold abroad.

In preliminary discussions, the SEC staff had said no relaxation of the disclosure requirements would be contemplated in the context of an offer in which US shareholders were not treated equally, but were cashed out. It was then proposed to the staff that the offer be made to Cityvision's US shareholders on the same basis as to its UK shareholders, provided that disclosure require*ments that could not be met* before the formal offer document had to be mailed under UK rules would be waived.

In making this proposal, it was emphasised to the SEC staff that the effect of not *granting the required waivers* would be to eliminate the share alternative, which was neither in the interest of Cityvision's US shareholders nor a fair result for its UK shareholders given their predominance.

The SEC staff agreed to permit the offer to proceed in the US even though the registration statement did not meet some formal requirements:

- the reconciliations to US GAAP of Cityvision's financial *statements and information* were not audited, nor did they cover the full five-year period;
- UK-style source and application of funds statements were provided instead of cash-flow statements;
- Cityvision's financial information for the year ended November 30 1991 consisted of estimated results rather than audited financial statements;
- the MD&A for Cityvision covered only the year ended November 30 1991 instead of the full three-year period; and
- Blockbuster presented *pro forma* financial information based on Cityvision's estimated results.

In addition, the financial *advisers to Blockbuster and* Cityvision, Merrill Lynch and Schroders, respectively, were not required to consent to the references to them in the registration statement and thus did not face a stricter standard of liability under US law than that which already applied to them under English law.

Finally, the SEC staff agreed that the registration statement could consist substantially of the UK offer document, the information required by US rules being contained in additional appendices.

The flexibility shown by the SEC to the Blockbuster/Cityvision offer is evidence of the strength of its commitment to integrate the US capital mar*kets more fully with those of* the rest of the world and to ensure its rules do not unnecessarily deprive US investors of the benefits of owning shares in foreign companies.

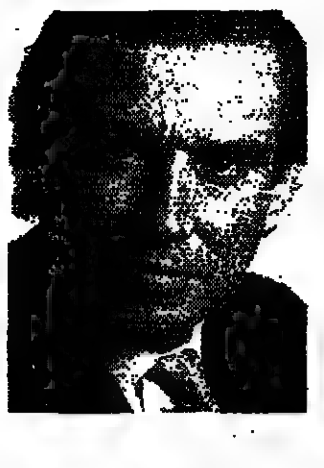
The adoption of Rule 144A *and Regulation S in the Spring* of 1990 were significant steps in this direction, and in the summer of 1991 the SEC proposed rules that would permit US holders of shares in foreign companies to participate in *rights offerings and exchange* offers in certain circumstances on the basis of foreign offer documents without regard to US requirements (but subject nevertheless to US standards of liability).

Although these proposed rules have yet to be adopted, the policies underlying them, and their thoughtful implementation by the SEC staff, made the Blockbuster/Cityvision exchange offer possible.

The authors are lawyers in the London office of the US-based law firm Cleary, Gottlieb, Steen & Hamilton.

PEOPLE

Barclays' Italian job changes hands



There is change at the top in Barclays Bank's Italian operations – in a country that in the past has proved fraught with difficulties for the UK clearer.

Richard Adams, general manager in Italy for the past six years, has been battling with the legacy of years of over-expansion combined with losses and fraud in leasing. Adams, one of whose tasks on arrival was to beat a retreat from retail banking in general, returns to London "after a very satisfying time making the operation more focused – and profitable". He becomes head of financial institutions within the corporate banking division.

Italy *returned a small profit* in 1991, compared with losses estimated in the region of £30m a year when Adams took over.

His replacement is Hugh Malim, who was actually in *Italy during the 1980s troubles,* but was responsible for other areas, the bank says – setting up factoring and consumer finance as well as opening the Rome office. Malim, an ex-Navy man and keen pilot, *has* headed export finance at Barclays in London since 1988, and comes back to Italy with big plans to build the investment banking capability.

Returning to the country will suit his wife, who has a fashion design business based in Milan – and will put him closer to the Cresta run, his other love.

Of his own new job, Adams says that while it would once have meant donning an ambassadorial hat to bestow endless visits around the correspondent banking network, the trick these days is to tailor Barclays' services to the individual and very different *strengths of financial institu*tions around the world. He replaces Michael Tomalin whose new appointment within the group has yet to be announced.

■ **Peter Craven** has been appointed finance director of **Aitch Holdings**, the clothing manufacturer and importer with plant in Northern Ireland, which agreed a financial restructuring with its banks *in February*.

Craven, a lifelong friend of Michael Green, the chief executive, was working in Saudi Arabia for the grandson of the late King Faisal until he joined Aitch earlier this year to help restructure the group.

Later this week Aitch is expected to send shareholders details of the restructuring which includes new loans from the Industrial Bank of Northern Ireland and has left Hill Samuel with a 9 per cent stake.

■ **John Miners**, director of accounting at Beazer, has resigned. When Hanson acquired the construction company last autumn, it put three of its own directors on to the board including chairman Anthony Cotton, but Miners, a 41-year-old accountant who came on to the Beazer board in 1990, was retained to smooth aspects of the transition. Last month Hanson said it had sold Beazer to one of its own US offshoots as part of a refinancing effort. Beazer says it does not know where Miners is going.

John Stanion has resigned as *md of Beazer Kier; his respon*sibilities are being taken over by Colin Busby, also md of Beazer Construction.

Departures

■ Sir Richard Lloyd has retired from TSB.

■ Andrew Semple will retire from ANGLIAN WATER in July.

■ Jasper Olivier is resigning from HAMBROS EUROBOND AND MONEY MARKET FUND.

■ John Tinker has retired from YORKLYDE.

■ Stanley Cressey has retired from CRODA INTERNATIONAL.

■ John Todd has retired on health grounds from J O WALKER.

■ Michael Parker has resigned from COURTAULDS TEXTILES.

■ Peter Chester has retired as executive director of technology and environment at NATIONAL POWER, but remains as chairman of *NATIONAL WIND POWER.*

■ Michael Fryer has resigned from PWS HOLDINGS.

■ Sir Arnold Burgen has retired from AMERSHAM INTERNATIONAL.

■ David Rampe has retired from UNITED FRIENDLY GROUP because of ill health.

■ Derek Beer has retired from FOREIGN & COLONIAL INVESTMENT TRUST.

■ John Delaney and Eric Hollis *have resigned from* SECURICOR.

■ Graham McVey has resigned from REED INTERNATIONAL.

Non-executive directors

■ Alan Plumpton, formerly chairman of London Electricity, at BEAUFORT MANAGEMENT CONSULTANTS.

■ John Wightman at CRAIG & ROSE.

■ David Perry, chief executive officer of J Waddington, at DEWHIRST.

■ Alistair Brown at ERF *(HOLDINGS) on the retirement* of Francis Russell.

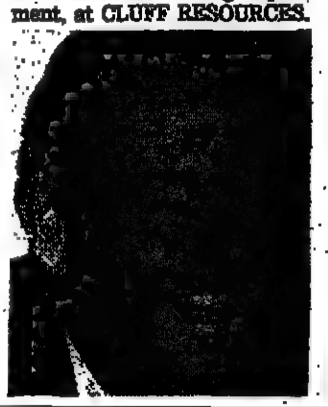
■ Sir Charles Fraser as chairman of NSM on the resignation of Donald Carr.

■ Moger Woolley at AVON RUBBER.

■ *Michael Rendle at* CAMPBELL & ARMSTRONG.

■ Jonathan Taylor, chief executive of Booker, at MEPC.

■ Sir Patrick Sheehy, chairman of BAT Industries, and David Presgrave; a former *head of RTZ's mining depart*ment, at CLUFF RESOURCES.



Whiskies galore

James Espey, former chairman of the North American operations of United Distillers, the Guinness spirits company, *is joining Seagram, the Cana*dian drinks group, to head its newly-formed whisky division. He will be based in London.

As president of the Chivas and Glenlivet division, Espey will be responsible for the production, *strategic direction,* and global marketing of Seagram's Scotch whisky brands, and the international development of its Canadian and US whiskies.

Hubert Millet, the Paris-based president of Seagram Global Brands, will be responsible for the production and international management of the group's cognac, champagne, port, and sherry brands and its wine business.

Espey, who joined United Distillers in 1986, was closely involved with the recent acquisition of Glenmore Distilleries and consolidation of UD's operations in the US.

Previously he had worked for International Distillers & Vintners, GrandMet's spirits division, where he established a central marketing division. He was responsible for the launch of Malibu and Piat D'Or and directed marketing thrusts that led to the develop*ment of Bailey's Irish Cream.* He was appointed chief executive of IDV's UK company in 1982 and became chairman in 1986.

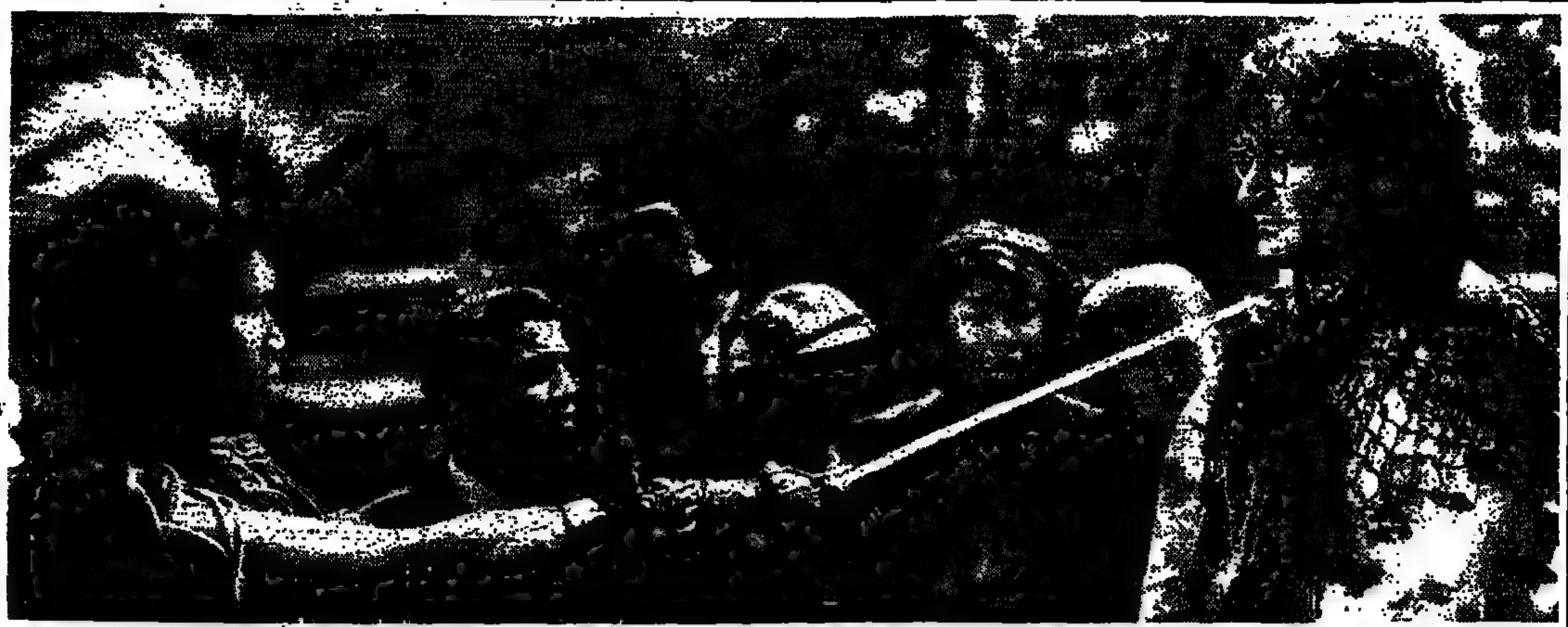
■ **Anthony Fuller**, chairman of **Fuller Smith & Turner**, *the* London-based brewer, has announced a series of board changes.

David Williams, 54, who has been responsible for managed pubs, hotels and restaurants, becomes deputy chairman, responsible for acquisitions, specialist outlets and hotels. Michael Turner, 40, former wine and marketing director, is appointed managing director.

Richard Fuller, 32, and Mark Dally, 39, join the board and will be responsible respectively for free trade and public relations, and for the company's wine business.

Tim Turner takes over as managing director of Griffin Inns, the managed houses division, and Charles Williams becomes tied trade director.

ARTS



Robin Williams as Peter Banning alias Peter Pan in Steven Spielberg's 'Hook': a mawkish paen to infantile regression

Cinema/Nigel Andrews

Yuppie-Yuppie Land

Please pass the plate around. Today's collection is for the "Save The Yuppie" fund. Yes, brethren, I know you are probably thinking: Why save the yuppie? After all, they were a menace to enlightened society in the 1980s, with their portable telephones and dreams of eternal upward mobility. But brethren – and sistren – we are talking of saving the yuppie from *himself*.

And so we come to Steven Spielberg's *Hook*. Peter Banning (Robin Williams) is a stressed executive who flies to London with his family to stay with his grandmother-in-law, the "real" 92-year-old Wendy Darling (Maggie Smith). When not shouting $5m deals down his cordless instrument, he listens to the old dear recall how she and her siblings inspired Mr J.M. Barrie next door. Ah, their tales of Peter Pan, the boy who never grew up! Ah, the antics of their fantasy villain Captain Hook!

But hold on, here comes Hook himself (Dustin Hoffman) and his henchpersons, borne into town on a supernatural hurricane. Good heavens, he is snatching away Banning's bairns and transporting them to Never-Never Land. Can Banning heed the squawkings of Grandma Wendy and take that leap of faith that will turn him into a flying child like PP himself? Can he rescue the tots?

He can. But it takes two-and-a-half hours and the price for filmgoers is a mawkish paean to infantile regression from a director who after a promising early career – *Jaws*, *Close Encounters Of The Third Kind*, *ET* – has now been mugged by Central Typecasting and persuaded to become the Peter Pan of Greater Hollywood.

What dismays us about *Hook* is not so much the hook itself: the plot premise about an overgrown yuppie "finding himself" by becoming a child again. It is the way we are attacked with that and other hooks long after they have theoretically hooked us. Every scene mauls us with its overstatement. Spielberg's London is a rapist Disneyland, pinioning our imaginations with its sickly painted Big Bens and winsome snow-flurries. Spielberg's Never-Never Land is a riot of overdone tweeness with its wacky galleons, kitschy jungles and half-dozen moons. And the Lost Boys are a group of multi-ethnic street urchins whose racial representativeness loudhails Political Correctness at us.

Only Julia Roberts as a slinky, husky Tinkerbell reminds us there is a naughty grown-up world out there somewhere. In all other respects, I loathed this film. It represents the worst that Hollywood can now do to us: the in-your-face lectures about the sanctity of childhood; the à la mode political attitudinising; the drippy waste of Robin Williams, who used to make a healthy living from standing at a microphone and deriding the pious values here enshrined; and the turning of Dustin Hoffman (with Mr Hoffman's help) into a witless English-accented fop – Terry-Thomas out of Lionel Jeffries – as unmenacing as he is unfunny.

Some things at least in the film are too ludicrous to loathe. The press-show audience freely guffawed at two early shots in which a baseball game spectator wields a Sony video-camera, the maker's name emblazoned on the strap. Sony, in case you forgot, now owns Tri-Star Pictures which made *Hook*. This technique is called product placement. If Sony requires any advice on where to place their products – for example, this film – I shall be only too happy to help.

*

Save The Yuppie Part 2: The Doctor. This is the tale of Dr William Hurt, a successful but callous surgeon who sings and cracks jokes as he fishes about in your aorta. As Dr Hurt might quip, he aorta know better. And by the end of this spiritually improving drama directed by Randa Haines (*Children Of A Lesser God*) and written by Robert Caswell from a book based on his own experiences by Dr Ed Rosenbaum, Dr Hurt has come to know better.

For he gets a tumour on his larynx and is soon in a "Physician, heal thyself" situation. Can he trust his fellow M.D.s? Will his marriage (to Christine Lahti) fall apart under the strain? Will he fall for hairless but still beautiful chemotherapy patient Elizabeth Perkins?

We have never seen so much fuss about a life-or-death operation. We know where we are being led: along the hospital corridor floor following the coloured stripe with matching wall-signs that read "Radiation, barium enemas and de-yuppification." Problem is: Hurt is good at the yuppie part, the high-flying scalpel-wielder more concerned with the insides of his wallet than those of his patient. But he is hopeless at the humane transformation presumed to follow on the dose he receives of his own medicine.

*

Yuppie redemption, we note with relief, is nowhere in sight in *At Play In The Fields Of The Lord*. The acquisitive instincts here are the age-old ones of land- and soul-grabbing. Deep in the Amazon jungle, a Brazilian commandante, hungry for rainforests, wants to bomb the local Niaruna Indians from their villages. But two rival white missionaries (John Lithgow, Aidan Quinn) want to keep them in place as sitting targets for Christianisation.

Meanwhile their wives, Daryl Hannah (beautiful and liberated) and Kathy Bates (repressed frump) add tension to the imperfect Eden. And a local air pilot with Cherokee blood (Tom Berenger) drops from the sky to befriend the Indians against both church and state.

Peter Mathiessen wrote the novel, though as directed and co-scripted by Hector Babenco (*Pixote*, *Kiss Of The Spider Woman*) it plays more like James A. Michener with a twist of Maugham. The scenery has you gasping. Rivers sinuous and gleaming as anacondas twine through dense jungle; star-high mountains wreathe themselves in mist or spill measureless waterfalls. Whenever it peers down from God's viewpoint, the film looks its $34m; whenever it peers up from the Indians' viewpoint – directed with real verve and conviction – it looks its six-month schedule preceded by three months of training and rehearsal for the non-whites.

If only the white actors had been allotted the same. Their characters are from Cardboard City and they know it. Assembled from old packing material, they creak their way through the God-fearing tirades, the blackwater fever bereavements (Aidan and Katy lose little Billy), the sudden mad scenes (Miss Bates), the let's-go-native binges (Berenger) and of course the back-to-nature nude river bathing (Hannah). "I realised it was important to the story and not the least exploitative" says Miss Hannah of this scene. Yes, well . . .

The film lasts three hours and six minutes and is not, I admit, boring. But I kept wishing Werner Herzog had been parachuted into the director's chair to lend a little true madness, a little searing obliquity of vision. In Babenco's hands, the story's final disenchantments – the Indians lose faith in men and Gods, the whites in the virtues of the missionary position – are as thudding and predictable as quarterly bills landing on your doormat.

Finally, a small but perfectly formed treat: Kenchi Iwamoto's *Kikuchi*. A surreal chamber drama from Japan, is shot in a bluish glow, it tells of a lonely, maladjusted youth (Jiro Yoshimura) who works in a basement laundry by day and lives a Peeping Tom existence by night. As deadpan as a Keaton comedy, as richly weird as an early David Lynch film.

HOOK
Steven Spielberg

THE DOCTOR
Randa Haines

AT PLAY IN THE FIELDS OF THE LORD
Hector Babenco

KIUCHI
Kenchi Iwamoto

Bournonville Festival II

Royal Danish Ballet has just ended a week's festival dedicated to its founding father, August Bournonville. The occasion was of the happiest. The Royal Danes had guarded a Bournonville heritage for nearly a century before, in 1951, they invited a handful of English critics to visit Copenhagen to sample some precious survivals of the poetic and vividly dramatic ballets that Bournonville had created between 1830 and 1877.

Two years later, emboldened by critical delight, the company played a season at Covent Garden, and the London public yielded eagerly to the Danes' joyous dancing, their mellifluous and whole-hearted acting, and Bournonville's choreographic masterpieces which shaped and enshrined these virtues.

Thus launched upon the international scene, the Danish ballet – and Bournonville – conquered the world. The company and its old repertory were everywhere in demand, everywhere admired. Yet the troupe faced an evident need to reconcile its historic identity with a desire to catch up with a more international style of classic dancing, after its years of Bournonvillian quietude.

The task was complicated by the world's insistence that the Royal Danish Ballet meant Bournonville (which indeed it did) somewhat to the exclusion of any later creativity. That Bournonville prepared the Danes for most dance challenges seems to have escaped the generality of the public, and the fact remains that the Danes – admirable in many balletic styles – must needs still concentrate upon Bournonville to win a world public. And rightly so, when they present the extant repertory of six long works and some shorter pieces with the enthusiasm and undimmed freshness that they have just shown.

In 1979 the Royal Danes staged a first Bournonville Festival in which all the old repertory was displayed, and its identity scrutinised in the light of its performance tradition and its continuing validity in the theatre. The Festival was a huge success. The second Bournonville Festival has been no less rewarding. Significantly, it brought a new staging of *Napoli* to mark the 150th anniversary of the ballet's first performance on March 29, which told much about the Danes' continuing concern with Bournonville's emotional and theatrical values, and the truest way of showing his work for future generations.

One of the great strengths of the Royal Danish Ballet is its use of dancers of all ages in the theatre. The children of the school are vitally part of the crowd in *Napoli*'s first act, and they watch the final scene from the bridge that traditionally spans the stage. In a few years some will be on stage in the solos that explode with fizzing vitality in the closing celebrations. As muscles tire, the great soloists renew their skills in the mime roles that give such richness and depth to the dramatic fabric of the piece. An artist like Kjeld Noack, marking 60 years on the stage this year, has made this progress, and still delights us with masterly mime playing. Sorella Englund, celebrating her silver jubilee on stage in *La Sylphide*, was an obsessed and terrifying Madge, who had latterly been a delicately touching sylph.

The new *Napoli* – well designed by Soren Frandsen – has received imaginative refurbishment. *Napoli*'s flaw has long been its second act, known as "the Bronnums act" because devotees took themselves to the nearby Bronnums restaurant rather than sit yet again through the dim activities of sea-sprites that are its chief matter. The act has been carefully re-thought (all the Bournonville steps have been lost for years) and is less of a bore than heretofore, though I thought the costuming for the tritons somewhat inapt with bare chests, Newgate frill beards, and what looked like varicose veins, as indications of their watery nature.

Everything else about the staging was radiant, from the bustle of quay-side life to the *feu de joie* of the finale's dances. In its central roles I saw superb performances from Lis Jeppeson and Nikolaj Hubbe. Miss Jeppeson is the ideal Bournonville heroine: by turns grave or child-like in her innocence, then sparkling in dance, or as the wicked Birthe in *A Folk Tale*, a demon of malign energy, she has an exquisite sensibility about the dramatic and technical nuance of her roles. Her dancing is ever-fresh. Mr Hubbe, the hero of this festival, is ardent in drama as in dance. His Gennaro in *Napoli* is all passion, raging with grief when he thinks his love is drowned, then cutting with a flashing physical edge through his dances. His James in *La Sylphide* was romantic fever personified; his Dancing Master in *Le Conservatoire* a grand statement about Bournonvillian bravura and elegance.

Two other men offered typically Danish dance power and clarity. Johan Kobborg, a young soloist, exemplified those Copenhagen virtues of brilliancy in step and buoyancy in jumps. His account of the *Flower Festival* duet on the opening night of the Festival was the best possible introduction to joys to come. Lloyd Riggins, American-born, joined the company five years ago at the age of 17. His debut as Gennaro at *Napoli*'s 150th anniversary performance was youthfully ebullient, and he was paired with the no less delightful Heidi Ryom as Teresina. In the vaudeville mime of *Far from Denmark* he was a sincere Vilhelm, and in the "reconstructed" (that is, revived from notations and written sources) staging of *Abdallah*, his verve and dashing technique helped one believe in this curiously hollow example of Bournonville pietism.

The Bournonville repertory and the Royal Danish Ballet, as they were shown to crowded and ecstatic houses during the festival – and what other company could attract devotees from around the world, as well as more than a 100 critics, for such a jamboree? – are in fine fettle. Bournonville's past and present mingle like the generations of performers on the stage. Tradition may yield to new imperatives, but the merits of the ballets and their interpreters remain clear. We love Bournonville for his humanity, for the moral and physical rectitude proposed by his choreography. And we love the Royal Danes because they so joyously honour him in their dancing.

Clement Crisp

Alastair Muir

Albert Finney (left, with Stephen Moore) returned to the London stage last night in Ronald Harwood's 'Reflected Glory', which opened at the Vaudeville

The Beggar's Opera

Is this latest RSC *The Beggar's Opera* the same play which prompted Sir John Hawkins to comment in 1776: "Rapine and violence have been gradually increasing since its first representation"? Director John Caird's anodyne middle-of-the road version would scarcely seem to be so. This pleasant, pasteurised production at The Swan, Stratford, capitalises on the *longuers* of John Gay's 1728 original, but fails to catch the trenchancy of Gay's urban-pastoral wit. This results in undemanding, easy theatre which belies the demands levied on a cast enjoined to sing *and* act.

Caird has homogenised the action in an RSC period blend of costume, set and manner. If Kendra Ullyart's fine tumbledown design pleases the eye, the play's issues hardly touch the mind; after all, the *Opera* was important enough to be condemned by Burke and copied by Brecht. Gay deserves more stringency, for this is funny social satire which pillories the usual eighteenth-century targets (lawyers, medics, bankers) by siding with the underworld of pimps and pick-pockets. The message is that "of all animals of prey, man is the only sociable one".

The plot follows Captain Macheath, a polygamist highwayman loved by Polly and Lucy, the daughters of his fence and his gaoler. The play opens in a bedlam of competing sights and voices, and slowly untangles itself. The action takes place as a performance in St Giles, London, topped and tailed with an induction and moral; this gives actors licence to play actors, and the customary RSC clap-along finale knitting up the play is especially protracted.

The *Opera* has as much opera as drama. Ilona Sekacz's muzak score amounts to folksong soundbites ("Over the Hills", "Lillibullero") with more bass and wire brushes than suits the music. Even easy listening can be entertaining, but these snippets are never consistently melodic enough to build a musical structure, so one does not identify characters by how or what they sing. The best musical scene has Macheath's two wives, Polly and Lucy, simultaneously and separately pining for him below stage – that makes melodic sense. The singing needs to be everywhere more confident and relaxed; individuals sound painfully exposed against the amplified background.

The sprawling action finds its high points: a wonderful coach chase and highway robbery, a trawl of trollops from Cheapside called to solace Macheath, and some grubby Newgate scenes from a tightly-run, privatised gaol. Paul Jesson as Peachum the fence and Anthony O'Donnell as Lockit the gaoler stay on terms with Gay's text, trading the great line "I can forgive, as well as resent". David Burt rightly plays a hopeful Macheath, orbited by Elizabeth Renihan (Polly) and Jenna Russell (Lucy). Nick Holder as a rough "Brummie" brigand enlivens every scene he acts.

In the end, the entire cast is either hanged or transported, until the author's companion (played by the dignified Griffith Jones) intervenes for a happy conclusion.

Andrew St George

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

■ BARCELONA

Palau de la Musica 20.00 Members of the Barcelona City Orchestra play string trios by Haydn, Dohnanyi and Montsalvatge. Tomorrow, Sat and Sun morning: Garcia Navarro conducts works by Tchaikovsky, Glazunov, Turina and Ravel (268 1000). Tomorrow and Sat in Gran Teatre del Liceu: Donizetti's Maria Stuarda (412 1466)
Staatsoper unter den Linden 19.00 Le nozze di Figaro. Tomorrow: Il barbiere di Siviglia. Sat: Tannhäuser with Reiner Goldberg. Sun: La traviata (East Berlin 2004 762)

■ CHICAGO

Civic Theatre 19.30 World premiere of Bright Sheng's new opera The Song of Majnun, libretto by Andrew Porter. Richard Buckley conducts a Lyric Opera production staged by Colin Graham and designed by Marie Anne Chiment. The opera is based on an ancient Persian legend of star-crossed lovers. The performance is repeated on Sat (332 2244)

■ CLEVELAND

Severance Hall 20.00 Christoph von Dohnanyi conducts the Cleveland Orchestra in works by Liszt/Holliger, Martinu and Beethoven, repeated tomorrow and Sat (231 1111)

■ GENEVA

Salle Frank Martin 20.30 Diego Masson conducts the Collegium Academicum in works by Mozart and Elliott Carter (College Calvin, 3 rue de la Vallée, 204396). Tomorrow in Théâtre de Carouge: first night of new production of Love Letters, play by A R Gurney (434343)

■ GOTHENBURG

Konserthus 19.30 Michel Tabachnik conducts the Gothenburg Symphony Orchestra and Chorus in Duruflé's Requiem and Schumann's Third Symphony. Repeated tomorrow at 18.00 (167000)

■ LONDON

THEATRE

● Berlin Bertie: Howard Brenton's new play is an intimate and at times savagely funny study of two sisters, each confronting a personal crisis. Diana Rigg heads a cast directed by Danny Boyle. Starts previewing tonight, Press night next Tues (Royal Court 071-730 1745).

● The Alchemist: Ben Jonson's satire on greed in the big city. Sam Mendes's Royal Shakespeare Company production tranfers to London after a sell-out season at Stratford. Starts previewing tonight, Press night next Wed (Barbican 071-638 8891).

● Sikulu: a celebration of African song and dance from the creators of Ipi Tombi (Queen's 071-494 5040).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC AND DANCE

Covent Garden 19.30 Kirov gala: Valery Gergiev conducts staged extracts from Evgeny Onegin, Swan Lake, Queen of Spades, Boris Godunov, Prince Igor and others, with chorus, soloists and corps de ballet of St Petersburg's Kirov Opera. Tomorrow: Guillaume Tell. Sat: Les Contes d'Hoffmann (071-240 1066)
Royal Festival Hall 19.30 Zubin Mehta conducts the LPO in works by Stravinsky, Mozart and Rimsky-Korsakov. Tomorrow and Sat: Barenboim conducts the Chicago Symphony. Sun: Sinopoli conducts the Philharmonia. Tomorrow and Sun in Queen Elizabeth Hall: Mark Elder conducts a concert performance of Rossini's Ermione (071-928 8800)

■ MILAN

Teatro alla Scala 20.00 Lorin Maazel directs a Victor de Sabata memorial concert, marking the centenary of the Italian conductor's birth. The programme consists of Ravel's L'Enfant et les Sortilèges, Strauss' Till Eulenspiegel and de Sabata's La notte di Platon. Tomorrow, Sat, Sun: La traviata. Mon: Semyon Bychkov conducts Bartók and Shostakovich (7200 3744)

■ NEW YORK

Avery Fisher Hall 20.00 Klaus Tennstedt conducts the New York Philharmonic Orchestra in Bruckner's Eighth Symphony, repeated tomorrow, Sat and next Tues. Sun: piano recital by Richard Goode (875 5030). Next Tues, Wed, Thurs in Carnegie Hall: Simon Rattle and the CBSO (247 7800)
Metropolitan Opera 18.30 James Levine conducts Parsifal, with Gary Lakes, Ekkehard Wlaschiha and Deborah Polaski, also Mon. Tomorrow and Tues: Elektra with Behrens. Sat: Billy Budd. Season ends on April 18 (362 6000)

■ PARIS

Opéra Bastille 19.30 Myung-Whun Chung conducts Nicholas Joel's production of Un ballo in maschera, with Luciano Pavarotti, Aprile Millo and Alexandru Agache. Tomorrow and Sat: Noh theatre production by Yukio Mishima (4001 1616)
Théâtre des Champs-Elysées 20.30 Ivan Fischer conducts the Orchestre National de France in works by Berlioz, Schumann, Schubert and Bartók, with François-René Duchable piano soloist (4720 3637)
Auditorium, Forum des Halles 19.00 Endellion Quartet plays works by Haydn and Beethoven. Tomorrow and Sun: Monteverdi and Dallapiccola double bill. Sat: Esa-Pekka Salonen conducts Strauss and Mahler (4028 2840)
Salle Pleyel 20.30 Claus Peter Flor conducts Brahms' German Requiem, also Sat afternoon. Tomorrow: Stefan Soltesz conducts a concert performance of Der Freischütz. Sat evening: Valerie Masterson sings Ravel's Shéhérazade with the Orchestre National de l'Ile de France (4563 0796)

■ ROME

Teatro Olimpico 21.00 Peter Neumann conducts Bach's St Matthew Passion (323 4890)
Teatro dell'Opera 18.00 Georges Prêtre conducts Verdi's Requiem. Repeated on Sat (488 3641)

■ SALZBURG

EASTER FESTIVAL

The festival opens on Saturday at 18.00 with a new production of Die Frau ohne Schatten, conducted by Georg Solti and staged by Götz Friedrich (repeated on Easter Monday). Claudio Abbado conducts works by Schumann and Mendelssohn on Sunday and next Friday, and a Schubert and Beethoven programme next Tuesday and Easter Sunday. Solti conducts concerts on Monday and Easter Saturday. The resident orchestra is the Berlin Philharmonic, and all events take place in the Grosses Festspielhaus (0662-8045 361)

■ VIENNA

Konzerthaus 19.30 Mariss Jansons conducts the Vienna Philharmonic Orchestra in Bartók's Music for percussion, strings and celesta and Tchaikovsky's Sixth Symphony, repeated on Sat afternoon. Sat evening and Sun morning: Adam Fischer conducts the Vienna Chamber Orchestra (712 1211)
Musikverein 19.30 Gary Bertini conducts the Vienna Symphony Orchestra and Singverein in Brahms' German Requiem, with Renée Fleming and Hakan Hagegard, repeated tomorrow and Sat. Sun: Trevor Pinnock conducts Messiah (505 8190)
Staatsoper 19.00 Aida with Sharon Sweet and Giuseppe Giacomini. Tomorrow: Wozzeck. Sat: Entführung (51444 2960)

■ ZURICH

Opernhaus 19.30 Nikolaus Harnoncourt conducts Jürgen Flimm's production of Fidelio, with Gabriela Benackova and Josef Protschka, repeated on Sun and Tues. Tomorrow: John Cranko's production of Romeo and Juliet. Sat: Entführung (262 0909)
Tonhalle 19.30 Erich Leinsdorf conducts the Tonhalle Orchestra in works by Liszt, Stravinsky and Offenbach, also tomorrow (201 1580). Sat: Andras Schiff and Peter Serkin play Bach with the Camerata Bern (261 1600)

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MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Thursday April 9 1992

The day of decision

THE BRITISH electorate, to judge by the opinion polls, is about to vote into power a minority government or – just possibly – one with a tiny overall majority. By the shortest of heads, Labour is in front in the final straight. That is not pleasing to business, which would prefer an outright winner to resolve political uncertainties, and would much prefer that winner to be Conservative.

The Financial Times's values are closer to those of a modern Conservative party than to any other – that is to say, a belief in the market economy, a limited role for the state, low taxation and maximum freedom of choice. But there are three serious reservations about the present government's being offered an unprecedented fourth term of office.

The first is performance. It is hard to overstate the achievements of Conservative governments in the 1980s: trade union reform, privatisation, disciplined public finances and an open economy are just the most obvious. Since the last election in 1987, however, serious economic mistakes have been made, as those responsible have recently admitted, and there have been fatal signs of hubris – most notably in the poll tax disaster.

In his 16 months as prime minister, Mr Major deserves credit for scrapping the poll tax, for his Maastricht deal and for holding firm to a difficult economic course, but some of his new ideas have either been superficial, like the Citizen's Charter, or fumbled, like the reform of British Rail.

Real weakness

The second is promise. The shortcomings of the Tory campaign have not been the result only of poor presentation. Rather they reflect a real weakness at the heart of Tory policymaking. The party has not yet come to terms with the departure of Mrs Thatcher, and is suffering an identity crisis as a result. Does it stand for Thatcherism with a soft voice – if such a thing is plausible – or has it become something completely different, such as a European-style Christian Democratic party?

It has almost nothing to say about the need to reform the way the country is governed, even though it is now clear that change is both inevitable and desirable. The party's manifesto is a job lot of ideas with little sense of drive or direction.

The third reservation is that, as the electorate has correctly sensed, a healthy democracy requires change and choice in the character of its government; if only one party has power of patronage, stagnation is a real danger. It would require very compelling arguments to re-elect any party after 13 years in power: the Tories look as if they have run out of steam, and need to rethink their priorities away from the cares of office.

But although there are reservations about the Conservatives, there are also serious worries about the alternatives. To some audiences, the Labour party talks the language of the markets; to others, it urges a break with the enhanced competitive spirit which lies at the heart of Britain's improved economic performance since Labour was last in office. In the very tough economic circumstances which face the next government of Britain, no one can be sure which of these voices will be decisive.

Labour's campaign has promised enhanced economic performance which nothing in its programme suggests it can deliver. In that case, the public spending ambitions of its manifesto will be unattainable and its most loyal supporters angrily disappointed.

Backward look

Most worrying of all, Labour is in many policy areas looking backwards to a better future. Its proposals on health, its instincts on education and its meritless minimum wage are the most striking examples. The speed and scale of its tax distribution proposals are unjust and will damage Britain's competitiveness.

The message of the polls is that the public is fearful of either of these large parties' forming the next government. In spite of four weeks of intense campaigning, neither has put on a solid, single point in its opinion poll rating.

The only party which can make that claim is the Liberal Democrat, but its own identity is an uneasy blend of single-issue pressure group and would-be coalition partner. The spending figures in its manifesto do not add up, and its myriad policies combine the good, such as an independent central bank, with the gimmicky, such as a hypothecated tax for education. The party's slick image cannot conceal the incoherence of its recent history.

All this points to the likelihood of an indecisive judgment by the voters; a hung parliament, during which the prime minister will have to look over his shoulder at every step. No party is trusted to go it alone with a strong majority. It is possible to view this prospect with some equanimity, however, precisely because Britain's last strong and effective government – namely the first two administrations of Mrs Thatcher – achieved so much that is irreversible.

If Labour is behind the steering wheel, the right role of any back seat drivers will be to nurture Labour's market-oriented instincts and to give it courage against the desire to slip into reverse. If a stable seating plan for passengers can be agreed, so much the better, though no one should think it would be easily achieved. The best hope is that with strong coaxing, Labour in office can shed its reactionary alter ego and become the outward looking social democratic party which represents the only viable destination for the left in European politics.

If this election were solely a choice between party leaders, Mr Major would be preferable. But it is not. The dangers of perpetuating in power a weakened and uncertain Conservative party, set alongside the progress Labour has made in modernising itself, justify by a fine margin the risks of a change.

Ice cold in Tokyo

THE JAPANESE government is showing remarkable outward calm in the face of relentlessly declining stock market and property values. It sees no problem, except for the banks; markets go down as well as up. "The Japanese government does not seek any quick fixes now," said finance minister Tsutomu Hata on Wednesday. "Please ask the stock market about the market."

It is hard to be at all sure how far this inactivity represents cool heads or cold feet. The so-called bubble economy may appear to be well deflated, but long-term investors are still sitting on handsome profits, and a quick rebound could readily get out of hand. The London equity market, after all, doubled in six weeks from its post-bubble low in 1975, which may help to account for the failure of too many British financiers to learn any lasting lessons from that episode.

There is a domestic case, then, for continuing to allow the Japanese market to seek its own salvation. Unhappily it is also true that a party devastated by financial scandals is very ill-placed to do anything other than twiddle its thumbs. That is why more than the usual burden of responsibility falls on Mr Yasushi Mieno, the central bank governor.

The main impact of the market collapse has been on the banks, now facing capital shortage. The real economy will be further slowed, but not necessarily thrown into recession by their problems. As in the US, many of the banks' clients now have higher credit ratings than the banks themselves, and are disintermediating into the commercial paper market.

It is the emergent Japanese yuppie class which will be most incommoded; the moral reformers among those in authority, notably the severe Mr Mieno, may regard this as an advantage. The banks may still be able to cater for the small company sector as the bigger borrowers turn elsewhere.

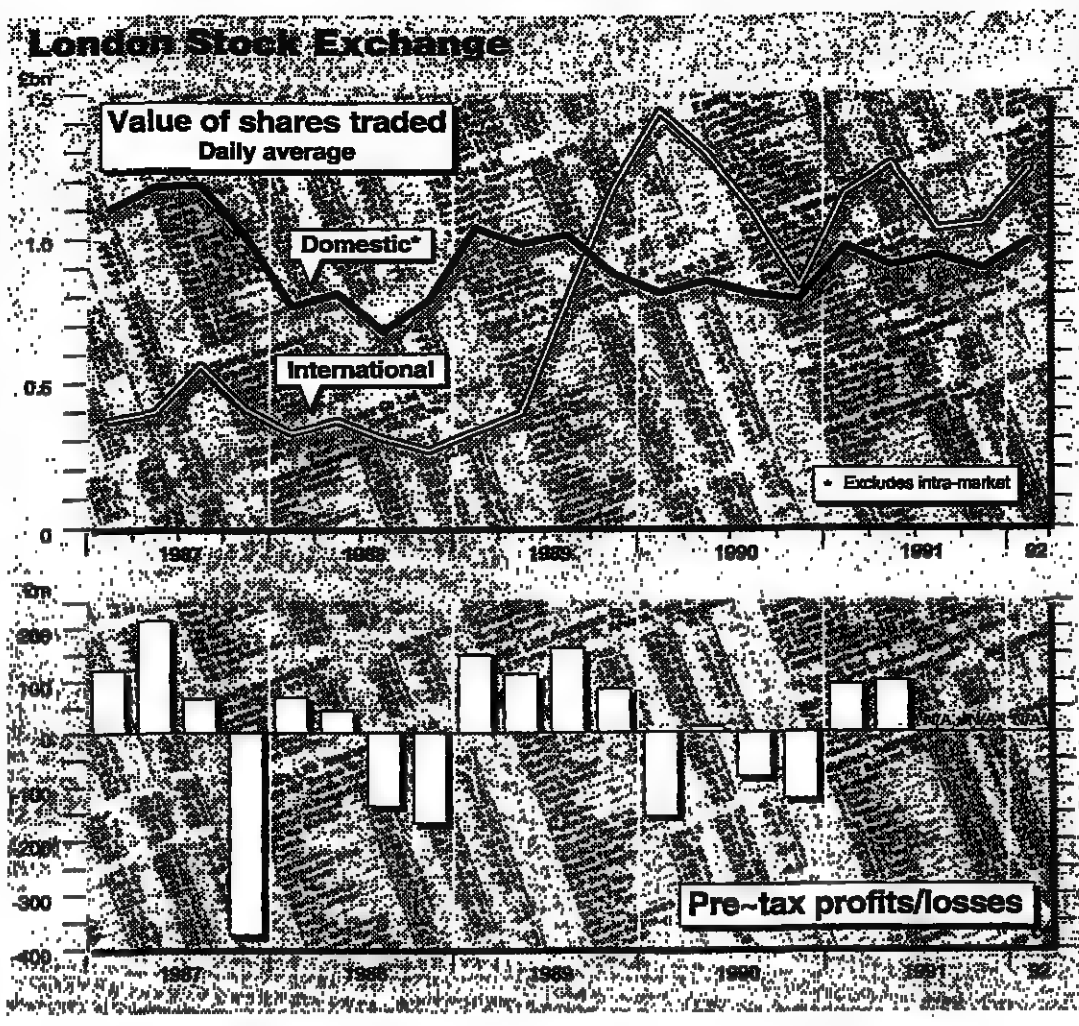
However, there is a clear danger that a severe correction could turn into something worse; the low turnover during some of the heaviest recent falls shows only how few people are yet prepared to regard cheap shares as bargains. Above all, Tokyo is now far too large a figure in world markets to be run as a purely domestic concern.

For the time being, there is little sign of any harmful repercussions: it is likely that Japanese investors outside the banking system – notably the huge insurance companies – are every bit as anxious to increase their overseas weighting as the banks can be to realise some of their more liquid assets. The restructuring of the Japanese market, notably the unwinding of cross-holdings, is healthy, but only now beginning.

No cause for panic yet, then; but to insure against future alarums, the Tokyo authorities should perhaps make it clearer that they are serious about stimulating the real economy, and that in the last resort, they will stand behind the integrity of the banks – whatever may happen to their shareholders.

A tune-up for City trades

The London Stock Exchange is gearing up for another Big Bang, says **Richard Waters**



The London stock market is on the verge of its next Big Bang. Five and a half years after reforms were introduced to reshape share trading in the City, the Stock Exchange's board will today consider a further overhaul of its markets. At stake is not only whether the UK's domestic stock market can be made to work more efficiently for all its users, but whether London can consolidate its position as the leading centre for international share trading in Europe.

Mr Peter Rawlins, an iconoclastic 41-year-old accountant brought in as chief executive two and a half years ago to implement the next phase of reform, is clear about the need for sweeping changes. "Without them, the exchange will run the same risk as in the years before Big Bang," he warned an audience of pension fund investment managers recently. "It will be trapped by its own history."

The years since Big Bang have not been easy for the London securities industry. While the level of trading on the stock market soared after 1986, the crash of 1987 brought the City back to earth with a bump. Since then, the level of trading has fluctuated, making it difficult for brokers and market-makers to reap sustained profits. With this underlying problem – in part caused by continued overcapacity in the London market – the stock market which emerged after Big Bang has looked anything but settled.

The UK's domestic market, and the international share market in London – each of which trades roughly the same value of shares – face different challenges. The domestic market is beset by three distinct difficulties. First, market-makers, the traders who provide the backbone of the London market, have been unable to make a decent return (most aim for 20-25 per cent) on the £3.5bn of capital which collectively they commit to support share trading in the City.

The willingness of these firms to quote prices at which they will buy or sell shares – and to put up their own capital to back that commitment – is what distinguishes London from most other leading stock markets. The arrangement, modelled on Nasdaq, the US over-the-counter share market, offers investors the chance of dealing at any time and in large amounts. In stock market jargon, that makes London a highly liquid market.

Market-makers warn that if they cannot make a decent profit they will stop offering this service.

Large investors such as pension funds and insurance companies are almost universal in their support for the current system of market-making and want to see it strengthened. "If we don't go down this road, there is a danger of the business going off-market," says Mr Angus Matheson, chairman of the investment committee of the National Association of Pension Funds. "That would lead to fragmentation."

Extra support for market-makers is to come later this year in the form of a change to the disclosure rules in the UK market. Market-makers will no longer be required to publish details of all their deals within 90 minutes. This greater degree of secrecy should make it easier for them to make a profit, since their competitors will not know the prices at which they are dealing.

Institutional shareholders accept the change – even though it means they will have less information on which to judge whether they are getting the best price for shares. One said: "I can't think of any other business in which wholesalers have to say what they have bought and how much they paid for it."

The second problem for the domestic stock market has been that share trading in London is concentrated on only about 250 companies. For the rest, which trade infrequently, the market-making system does not work. Spreads (the difference between prices at which shares are bought or sold) have widened steadily, and now stand at about 10 per cent for many listed companies. This discourages buying, and has caused the market in some companies' shares to stagnate.

Third, private investors have become the poor relations in a stock market which was designed mainly for institutional investors. They have to pay a spread to market-makers – even though they rely less on the service they provide – thus adding unnecessarily to the cost of their dealing.

Together, these pressures have contributed to the exchange's greatest worry: the fear that trading will begin to seep away, moving on to other trading systems off-exchange. It would be unable to legislate against such a move and has no monopoly on stock market trading. Also, the prices quoted by market-makers – the single most important facet of the market – are publicly available, and so could easily be used as a basis for transacting business off-exchange.

For the moment, fragmentation remains just a fear. "We've talked about doing business off-market, but haven't felt the need yet," the head of one of the largest market-making firms said. But, like others, he feels increasingly exasperated. "The Stock Exchange keeps saying it no longer represents us, the big firms – that it's no longer a club. One day they will go too far."

Investors continue to back the exchange, though in some cases reluctantly. An attempt to develop a system on which institutions could do business directly with each other, bypassing the market, flopped in the early 1980s. Similar systems are currently being promoted. Instinet, an electronic marketplace run by Reuters, the UK information group, boasts about 10 per cent of the turnover in US shares, and has begun a push into the European market.

Some institutions claim that the exchange fails to consider their interests. "The Stock Exchange still thinks it always knows best," said Mr Barry Southcote, managing director of marketable securities at CIN, the manager of the coal industry pension fund.

While the UK's domestic stock market has struggled, international share trading has been one of London's successes in recent years. A telephone market for international shares had already existed in London, but operated without any of the services that an official stock exchange provides. In the mid-1980s the exchange launched Seaq International, a price display system on which dealers could quote prices at which they would buy or sell foreign stocks. The market supported by this system has forged ahead: 95 per cent of European stocks bought or sold outside their home markets now change hands in London.

This surging international share market could now be under threat. As other European centres push through reforms to their own stock markets and cut taxes on securities trading (an important reason for the migration of share trading to London), London's dominant position is no longer assured. The proportion of trading in German shares in London, for instance, declined last year – although London's overall market share rose.

Mr Rüdiger von Rosen, executive vice-president of the German Federation of Stock Exchanges, spelled out the determination to win trading in German shares back from London. "Our first priority is to offer a market for D-Mark products which in terms of cost and efficiency is the best available," he said.

The exchange's response to both the domestic and the international challenge has so far failed to set the City alight. After two and a half years, Mr Rawlins has succeeded in slashing the exchange's cost base (staff numbers have fallen from about 3,000 to fewer than 2,000). But exchange users are still waiting for the long-term reforms which would put London's domestic and international stock markets on a firmer footing.

"There is a dissatisfaction with the level of urgency with which the exchange has gone about things," said Mr Charles Nunnelly, chairman of the Institutional Fund Managers Association, a trade association of big investors.

After today's board meeting, the pace of change may accelerate. Though much of the detail of the proposals being put to the board has been kept under wraps, the exchange's strategy is clear: to create distinct market systems serving both its main institutional investors and its private investors.

That way, it hopes, it would please all its users all the time, and guarantee that the maximum amount of business continues to pass through the official Stock Exchange. The wholesale market would operate on minimum levels of regulation and disclosure, and would bring together the markets for UK and international shares on a single system, aimed at big internationally minded investors.

Finding a way of linking the retail and wholesale share markets has caused much of the delay. Under the exchange's plans, small orders to buy and sell shares would be fed into a central computer, where trades would be carried out automatically. All investors would thus be assured that they were getting the best price.

For instance, private investors would be able to specify prices at which they wanted to buy or sell shares (known as "limit orders"). Then, if a large wholesale order was carried out at a better price, the limit orders would be completed automatically – much as happens at the New York Stock Exchange.

Carrying through this strategy is the hard part. It will involve substantial spending, as the exchange finally scraps its many, varied systems and creates a single technological base on which to run its markets. Securities houses fear this will add substantially to their costs – on top of the spending already related to the development of London's planned paperless settlement system, Taurus. The exchange claims that any additional spending will be more than covered by cost savings.

Convincing the exchange's users to make the necessary investment will be Mr Rawlins's hardest task. After the constant delays that have beset the Taurus project, confidence in the City in the exchange's ability to push through technological developments is not high. Without investment, though, London's leading position among European stock markets could come under threat. Revamping the Stock Exchange is likely to be a necessary cost of staying ahead.

Joe Rogaly

Issues the campaign forgot

The temptation to vote green today is almost overwhelming. We learned yesterday that the atmosphere over Europe lost about a fifth of its protective ozone layer during the winter. This does not quite amount to an ozone hole, but the figures square with the scientists' expectation that winter losses in the northern hemisphere will double over the next decade.

A threat of such a magnitude is of greater importance than a prolonged debate about whether it would be right for the Labour party to tax away an extra fifth of the marginal incomes of individuals earning more than £40,000 a year. In the former case, we are talking about, at the least, a general addition to the incidence of skin cancer. The most serious effect of Labour's tax increases would be to squeeze middle-income earners.

Likewise, the prospect that the earth summit in Rio this summer will be a fiasco matters a lot. The perverse correlation between the Conservatives' protestations that they are tough on crime and the steep rise in reported misdemeanours matters only a little. The first has to do with the long-term health of the planet; the second is largely about breaking into parked cars.

Unfortunately, Britain's leaderless Green party comes across as such a weird collection of disorganised dreamers that even the deepest sympathiser with the environmental movement must hesitate before deciding whether to support it. The Conservatives, Labour and the Liberal Democrats would protest that there is no need to do so. Oh yes? It is true that protestations of good intent on the environment appear in the manifestos of all three national parties, but beyond that the subject has been ignored.

Come to think of it, several of the other serious issues that governments will have to face in the 1990s have not arisen in the campaign. For example, no big party has chosen to educate the public about the demographic projections for the next 10 to 20 years. Yet during that time, Britain, in common with continental western Europe and North America, will have to find the funds to keep an increasingly elderly population alive, housed and fed.

Labour has bid for the grey vote with a shameless dispersal of higher pensions to every retired person regardless of how wealthy she or he may be. The Conservatives are seducing present-day earners into private pensions. The Lib Dems have plans that I would take the trouble to look up if I thought they had any chance of forming a government. But there has been no proper exposition of the underlying actuarial forecasts.

No big party has educated the public about the 10-20 year demographic projections

Growth itself is another more immediately pressing concern that has not received the attention it deserves. For neither the nature nor the pace of economic development can be taken for granted. This is true of both the medium-term and the immediate future. Whoever walks into the Treasury to take the chancellorship tomorrow may find apologetic officials wringing their hands and confessing that, sorry, the forecasts presented in Mr Norman Lamont's budget last month are not *exactly* right. The government may have to borrow, not £28bn as then hazarded, but thirty-something billion.

If the recession is made abroad, as the Conservatives say it is, the new administration will have to wait for the foreigners to take us out of it. How, then are the growth rates assumed in the Red Book accompanying Mr Lamont's statement to be achieved? The figure of £28bn looks like an underestimate. This theme has been explored during the campaign, but not sufficiently.

What the election debate has taught us is that the contemporary democratic process is perverted by the need to work in sound-bites. The big set-piece press conferences – on recession, recovery, health, education, foreign affairs, crime, and housing – have all begun with the reading out of short, easily digestible statements and concluded with the TV cameras watching journalists ask limited questions.

In these circumstances, there is little prospect of presenting even the outlines of an argument about such complicated matters as the environment, the aging population, or long-term growth rates. This is not what the voter is thought to want to know about. The Scots can understand talk of the end of the English ascendancy, but very few people will listen to, let alone consider, wider propositions on constitutional reform.

None of the leading politicians has been able to give a second's thought to such genuine problems. Over the past few weeks, Labour shadow ministers have been bemused when asked about a possible re-alignment of the Left; they had that day's homework to do and could hardly get through it. The Conservatives spent their time trying to get coherence into their daily tactics. The Liberal Democrat leader demonstrated his skill at being in three places at once.

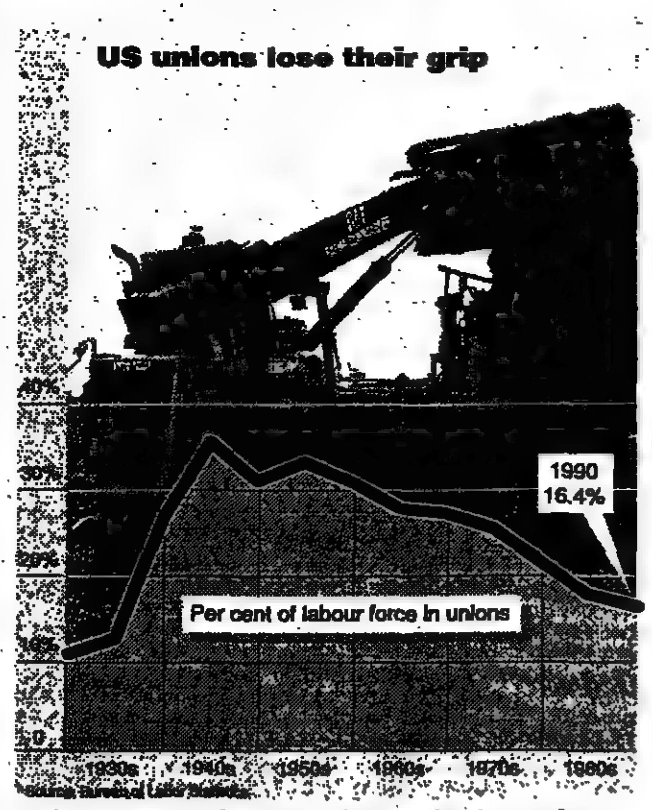
The ozone layer and the advancing hordes of frail, poverty-stricken old ladies looking for income support could go hang. Growth was something not to think about, but to promise, for that may win votes. Thank heavens we are back to the real world next week.

The strike at Caterpillar, America's number two industrial exporter, is entering the end-game, write **Martin Dickson** and **Barbara Durr**

Playing for high stakes on the picket line

A discordant honking of car horns, echoing this week through the early-morning streets of Peoria, Illinois, heralded the moment of truth in the most crucial test of US organised labour in a decade.

The horns, blaring out along the route to Caterpillar's factories and headquarters in this archetypal Mid-Western city, were one way that striking workers at the world's largest marker of earth-moving equipment tried to deter suspected strikebreakers from crossing their picket lines. In a touch of modernity, the strikers also trained video cameras on the factory gates.



After a five-month stand-off, the Caterpillar stoppage has entered the end-game, thanks to a management ultimatum that striking members of United Auto Workers union had to return by last Monday or face losing their jobs to replacement workers. Few of the 12,600 strikers have gone back, but the company is gambling that many will return in the days and weeks to come.

If they do, it will mark a grave setback for the UAW, still one of the most powerful unions in a country that has seen a remarkable diminution of organised labour over the past two decades.

The knock-on effects could be tremendous. Other companies with UAW workers – notably the Detroit-based motor industry – would try to use the defeat to extract concessions. And employers across the US would be encouraged to adopt a tougher negotiating stance with unions.

But if the workers do not return, Caterpillar, the second-biggest US industrial exporter after Boeing, could be badly hurt. The outcome is finely balanced, and with such high stakes on both sides neither is likely to cave in easily.

The dispute centres on three inter-related issues which have become central to management-labour tussles over the past decade: so-called "pattern bargaining"; management's right to replace striking workers with non-union staff; and the role played by organised labour in hindering or helping American competitiveness.

The UAW has used pattern bargaining in negotiations with US auto companies for decades. The idea is to negotiate a favourable labour contract with the company most willing to make concessions and then make the others match the terms. Such deals used to be common in several industries, including steel and tyres, but have become less so over the past decade.

The Detroit motor groups, fearful of losing market share through a prolonged strike, have gone along with the system but now want to break out. They face ferocious competition in a recessionary market from more efficient and largely non-union Japanese plants which have mushroomed across America.

General Motors, in particular, which lost about $7bn at the operating level in North America last year, is anxious to slim down and introduce more flexible working practices. But the UAW has rejected the company's attempts to renegotiate the 1990 labour contract, due for renewal next year.

The UAW also wants Caterpillar to "pattern bargain" and agree to terms on pay, conditions and job security similar to those it reached last year with Deere & Co, another large US equipment maker.

The union claims that its members are being asked to forgo benefits which the company can afford

But Caterpillar, which went along with pattern bargaining in the past, argues that it can no longer afford it. It maintains that its labour costs must allow it to compete with its main international rival, Japan's Komatsu, rather than other American businesses.

The union rejects such arguments, saying that international competitiveness is more a result of shrewd management, employing efficient manufacturing processes. It claims, instead, that its members are being asked to forgo benefits which the company can afford. "Global competitiveness is a code for bottom-line greed," says one union organiser.

It is the management's threat to bring in replacement labour that touches the rawest union nerve. President Ronald Reagan's use of this tactic to defeat the government-employed air traffic controllers in 1981, set the tone for a decade of anti-unionism in the White House. The strategy has since been successfully emulated by several leading companies, most recently Greyhound, the bus line.

In the US, the right of management to replace workers is not unfettered: a company found guilty of unfair labour practices can be forced to re-hire sacked strikers. The union movement is lobbying Congress for stronger protection, but is unlikely to be successful.

Caterpillar would find little problem in recruiting workers, since unemployment is high in both Peoria and the company's other manufacturing centres in Illinois. It began placing newspaper advertisements for staff this week and was flooded with telephone inquiries.

It is now anxious to resume production, with or without the UAW, in view of the upturn in the US economy expected in the second half of this year. Its inventories are very low – about 80 per cent down on pre-strike levels, according to one estimate.

"Caterpillar doesn't want to be stuck in a strike" just as orders begin to come in, says Mr Tobias Levkovich, an analyst with Smith Barney Harris Upham, the US securities company. In the last UAW strike at the company in 1982-83, which lasted seven months and was the longest in the union's history, the management was caught short as the seasonal construction business picked up, and was forced into a compromise settlement.

However, in using replacement workers, lacking the complicated skills of its existing workforce, Caterpillar risks a decline in the quality of its products and a loss of market share and customer loyalty. And if it ultimately settled with the UAW, labour relations would be soured for years.

Although the union has few cards left to play, it has not ruled out idling the remaining 3,400 UAW members still working at Caterpillar's parts and warehousing operations. Beyond that there remains the outside possibility of concerted action by other unions, fearful for their future. Leaders of two other big unions, the steelworkers and the Teamsters, have already said the Caterpillar strike is crucial to the future of the labour movement.

Such comments come against the background of a steady erosion of union power in the US. Over the past two decades the movement has suffered a precipitous fall in membership to a level one academic recently described as "ghetto unionism". Only 16 per cent of the non-agricultural workforce belonged to unions in 1990, down from nearly 30 per cent in 1970.

Reasons for the weakening of organised labour include the decline of heavily unionised traditional industries; and shifts of business from the unionised north to the cheap-labour south, and from manufacturing to the fragmented service sector, where unions have difficulty recruiting.

The question now is whether America's unions can carve out a new role for themselves in an era when complicated new manufacturing techniques demand greater flexibility in work practices and more co-operation between management and labour.

But management and unions at Caterpillar, like their counterparts across the US automobile and equipment industries, are set in their confrontational ways. "Pulling together" is not a message playing well in Peoria this week.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Matchsticks, a spending mess and the Union

From Sir Patrick Sergeant.

Sir, Mr Joe Rogaly writes ("Farewell balanced books", April 8) that Lord Home made an ass of himself when he used matchsticks in an effort to demonstrate how the economy worked.

Was he as big an ass as the post-war prime ministers and chancellors who bet their reputations on the Treasury's forecasts and lost? Mr Rogaly should ask John Major, Norman Lamont, Nigel Lawson and Denis Healey to name but a few.

Patrick Sergeant,
Euromoney House,
Playhouse Yard, London EC4

From Mr Andrew Glynn.

Sir, Your leader ("Labour and the economy", April 8) deserves recognition for a most ingenious defence of inequality. Forget the interests (and spending) of pensioners on £50 per week and others who would benefit from Labour's plans for redistribution. Higher taxation of the better off is apparently bad for all of us because *they* are the people who can borrow most against their post-tax incomes and spend the rest of the economy out of the recession. Apart from all other considerations, wasn't this just how we got into the present mess?

Andrew Glynn,
Corpus Christi College,
Oxford OX1 4JF

From Mr Murray Gunn.

Sir, Your editorial, "Conservatives and the Union" (April 7), is quite incorrect in criticising John Major for believing that autonomy for Scotland can be stopped "by just saying no".

Quite a substantial amount of people in the centre-right of the Scottish political spectrum have been taken in by the SNP's vision of independence for Scotland. This "opinion poll" support seems to have drifted somewhat in recent days and I believe that one of the reasons for this is that potential voters have been scared off by the thought of the SNP (in the words of Jim Sillars) "realising their socialist dreams". The unfortunate reality is that, by voting for Labour, the people of Scotland are merely delaying the process of independence by means of a half-way house that will, as your editorial quite correctly says, bring far-reaching changes to the entire UK constitution. The "west Lothian question" will substantiate the irresistible move to federalism and the consequent break-up of the UK as we know it.

That is why the Conservatives' stance on the Union is one that should have great bearing on the way that people place their "x". Why vote away a constitution that has made the United Kingdom of Great Britain and Northern Ireland the envy of the world? The Scots have always been nationalistic – as have the English, Welsh and Irish – but why we should suddenly now feel that the last 285 years have been sheer hell is, quite frankly, beyond my comprehension. Should Scotland's endeavours of the last three centuries be dismissed out of hand? The sad thing is that the Labour party, having jumped on the band wagon in order to try to please everybody, has once more given evidence of its lack of responsibility and lack of backbone.

By "just saying no" the Conservative party stands out as a party of principle and reliability. Qualities such as these should not be scoffed at, especially when the issue concerns the preservation of the Union.

Murray Gunn,
Allied Provincial Securities,
PO Box 113,
155 St Vincent Street,
Glasgow G2 5LZ

Questionable wisdom of holding trade in services to ransom

From Sir Derek Thomas.

Sir, Our friends at the US Coalition of Services Industries have again raised their concerns about free riders in the General Agreement on Tariffs and Trade Services (Gatts) negotiations: Margaret Wigglesworth's letter, appearing coincidentally on April 1, may be primarily intended to tease us, but perhaps it is wise to take it at face value.

We fully expect the CSI's continuing efforts, alongside our own, for market access commitments. This is certainly crucial. But to leave the argument as Margaret Wigglesworth does risks stranding us all in the era of bilateral reciprocity instead of seizing this historic chance to conclude a pact on services trade principles and rules among the major trading nations.

There are already nearly 50 offers on the table, accounting for about 95 per cent of world trade in services; thus a critical mass appears assured. Naturally at this stage we are not looking at the bottom lines, but the OECD group and a number of notable others promise to be comprehensive and very acceptable. Thus the US, as the world's largest economy, representing a quarter of world GNP, presumably has in its sights half a dozen worst offenders – most of these unable to take advantage of the US and EC open markets. For this target, is it wise to be holding to ransom, through the exhaustive US list of threatened most favoured nations exemptions, the progress of the past five years' negotiations?

Under the proposed multilateral trade organisation, of which Gatts will form part, there will be two yearly chances to press for progressive liberalisations from member countries which lag unfairly in their obligations. But should the Uruguay Round fail, future governments and new officials will be condemned, like Sisyphus, to roll another Round back up the hill, following much loss of time and wealth foregone. If we focus too closely on short-term gains we may live to regret not having taken a longer-term, wider view.

Derek Thomas,
chairman, liberalisation of trade in services committee,
British Invisibles,
Windsor House,
30 King Street, London EC2

Spiral into unequal losses for external Lloyd's Names

From Mr R B Spooner.

Sir, While the forecasts for the 1989 Lloyd's losses may be similar for working and external Names with some individual agencies (Letters, April 2 and 4), this is certainly not the case for the market as a whole.

My own calculations, based on the split of external/working capacity by syndicate recently released by Lloyd's, and on the forecasts by underwriters, suggest that working Names will incur a 12 per cent loss in 1989, while external Names will incur a 16.5 per cent loss.

In 1988, working Names had 1.2 per cent lower losses than external Names; in 1989, if the forecast holds, 4.5 per cent. So if working Names do not put their own interests first, how did we get such an unequal result?

Perhaps the problem lies in the LMX spiral. The seven largest loss makers in 1989, accounting for more than a third of the market loss, are all LMX syndicates. All had below average working capacity. External Names on these syndicates have been left holding the can and in many cases facing financial ruin.

It is to be hoped that Sir David Walker, chairman of the Securities and Investments Board, can come up with a convincing explanation and some equally convincing remedies.

R B Spooner,
5 Ireton Road,
Colchester,
Essex CO3 3AT

OBSERVER

Voters bash economy men

■ Italian voters have been especially unkind in their judgment of those dealing with the economy. Veteran treasury minister Guido Carli and forthright industry minister Guido Bodrato both lost their seats, as did economist Nino Andreatta, head of the senate budget committee.

Carli's fate was especially poignant. Having co-opted him into government in 1989, the Christian Democratic party was keen to keep him on board even if at first he could not be found a seat. At the 11th hour he was parachuted in as a candidate for the senate in Genoa – alas, a city with which he had no connection.

Just 78, the former central bank governor has been a lone voice in the cabinet consistently urging fiscal discipline. But this held no appeal for his new-found Genoese constituents. His sole consolation was that the native Genoese Moana Pozzi, the self-styled porno-star and leading light of the Love Party, also failed to get elected.

Among other prominent losers in the elections were the Christian Democrat Gianuario Carta and the Socialist Guido Gerosa, respectively president and vice-president of the senate commission investigating the Banca Nazionale del Lavoro and its Atlanta branch's $4bn plus loans to Iraq.

Those with suspicious minds are seeing this decapitation as a conspiracy to impede the investigation.

Euro-boyo

■ John Major has tried to make capital of Neil Kinnock's membership of the notoriously long-winded "boyo" tendency. He claims that the Labour leader's yacking would not go down at all well at European summit meetings.

Perhaps he has overlooked that Kinnock has much in common with that successful Euro-politician, Germany's Helmut Kohl. Both are blustering, sentimental, and occasionally impetuous. Neither has a head for detail, and both can be remarkably verbose in a provincial brogue.

Each was compared badly to a rival who regularly trounced him in the political arena – Helmut Schmidt and Margaret Thatcher, respectively. If Kinnock wins, he will move into 10 Downing Street in his ninth year as party leader. Kohl took over the chancellorship nine years after becoming chairman of the West German Christian Democrats in 1973.

The two evidently got on well when they last met in Bonn about 18 months ago. And Kohl and his entourage are moderately impressed by Kinnock's pro-European rhetoric, although the feeling in Bonn is that a change of prime minister would make little difference to Britain's European policies.

Admittedly, the German chancellor would prefer his friend John Major to stay in power. But if Kinnock makes it, they could soon be serving leek as well as Kohl's favourite Saumagen (stuffed stomach), at the Bonn chancellery.

Balanced Czechs

■ Despite widespread opprobrium, European Community farmers still demur at reforming their inefficient farm sector. But Vladimir Dlouhy, economics minister of the Czech and Slovak Republic, is determined to learn from that mess of potage.

"We don't intend to repeat the same mistakes as the European Community in our farm sector," says he. "We don't want to see our farmers become a spoiled part of society. They must feel the iron fist of foreign competition.

"If the Tories win, we're emigrating to Euro-Disney"

"We were asked to reform our economy in 1989; we did it and we have born the consequences. We have fulfilled the conditions imposed on us, and we expect more flexibility on the part of the EC."

Now, Dlouhy thinks, it's time for the community to fulfil its side of the bargain, and to take a ploughshare to tariff barriers blocking Czech and Slovak Republic exports into the EC.

When a minister of a former socialist country starts dispensing lessons in simple market economics, the question has to be asked: Can Vladimir Dlouhy succeed where all others have failed?

Late

■ The usually lightning-fast news reporting of Israel Radio lapsed somewhat – by two hours or so – when it came to confirming that PLO leader Yasser Arafat had survived his aircraft's crash-landing in a Libyan desert sandstorm.

True, the state-owned network was as speedy as any of its media competitors in reporting that he was missing. Then, about 11am, the PLO's Tunis headquarters announced he had escaped, and the rest of the world's media promptly passed on the news, not one expressing doubt of its truth.

But wait, said Israel Radio, we only have the PLO's word for this... Even at 1pm defence minister Moshe Arens was on the air saying, "If it turns out he's dead, I think that no one in Israel is going to mourn."

It was not until some minutes later that the radio admitted Arafat seemed to be alive after all.

In the meantime, however, it had lavishly reported reaction to the then likely-seeming demise of the top-ranked mortal in Israel's demonology. The coverage included an interview with MP and ex-minister Geula Cohen, of the far-right Tehiya party, in which she said: "Even if we find out he's still alive, I believe he deserves to die."

"You mean Israel should kill him?" the interviewer asked.

"Yes. One hundred per cent."

Legal tangle

■ Solicitor Bill Loveluck-Edwards was brought to book for being improperly dressed when he appeared to defend in a drink-drive case at Bridgend. Although formally clad in black jacket and pin-striped trousers, he had a shoelace undone, and magistrate Bryon Butler threw him out of court for it.

Afterwards the magistrate admitted he had been a bit severe, but explained that the solicitor had previously irked him by sitting in court reading a novel. "That makes it one-all," he added.

FINANCIAL TIMES
Thursday April 9 1992

Democratic candidate Bill Clinton and his wife celebrate victory in the New York primary

Clinton's victories put nomination within reach

By George Graham in Washington

GOVERNOR Bill Clinton of Arkansas left New York yesterday after two gruelling weeks of campaigning with the Democratic party's presidential nomination firmly in his reach.

By winning in Tuesday's New York primary with 41 per cent of the vote, the Arkansas governor vaulted the biggest hurdle his campaign has faced.

Victories in Wisconsin and Kansas on the same day added to his commanding lead over both Mr Jerry Brown, the former governor of California, who is the only major candidate still in the race, and Mr Paul Tsongas, who continues to win votes despite having formally suspended his campaign.

President George Bush, meanwhile, continued to record comfortable victories in Republican party primaries.

Mr Clinton acknowledged yesterday that many voters still felt uncomfortable with him because of the series of allegations about adultery, marijuana smoking and draft dodging that have beset his campaign.

"I'm not interested in whether they love me or not. I want them to respect me and want me to be their president," he said.

Although Mr Tsongas surprised everyone by winning 29 per cent of the New York vote, despite not campaigning, he said he would take several days to decide whether to re-enter the race.

Most politicians in Washington believe that, even if Mr Tsongas decides to relaunch his candidacy, he will do so with a severely limited campaigning schedule, more in the hope of influencing his party's policies than of winning the nomination.

Mr Brown, however, vowed to soldier on, despite being largely repudiated by voters in New York, where he won only 25 per cent of the vote. He fared better in Wisconsin with 35 per cent.

Clinton supporters were yesterday campaigning intensely to win over the 772 Democratic party committee members and congressmen who will also take part in the nominating convention as "super-delegates."

Mr Clinton is estimated to have the backing of 213 of these delegates already, as well as 50 per cent of the 2,197 delegates so far allotted by primaries and caucuses.

Reality points to Clinton, Page 6

German hopes for party deal fading

By Christopher Parkes in Bonn

HOPES of early cross-party co-operation to resolve Germany's pressing political problems faded yesterday.

Just three days after government and opposition had been stunned by far-right gains in two state elections, leaders of the ruling Christian Democrats (CDU) and opposition Social Democrats (SPD) retreated to their former entrenched positions.

While Chancellor Helmut Kohl repeated his offer of "relevant" discussions with the SPD, Mr Björn Engholm, the opposition leader, laid down rigid conditions, and party officials on both sides muddied prospects further.

Mr Kohl said in cabinet yesterday that he wanted to start talks immediately after Easter with SPD leaders at federal and state level, including mayors, to clear the way for necessary changes to the constitution, and a redistribution of the costs of unification.

"The voters have made clear that they now expect rapid solutions to pressing political problems," he said.

Constitutional change was needed to help stem the flood of asylum-seekers into Germany and the European Community. It was also necessary to allow the ratification of the Maastricht treaty on political and monetary union. He wanted to discuss the indispensable restructuring of federal finances to help fund recovery in the former East Germany.

Mr Engholm said that, before he would consider talks, he wanted to see full information on the current state of federal finances and a detailed concept for the economic future of the country. He also demanded that only state prime ministers should be invited.

Meanwhile, Mr Hans-Ulrich Klose, the SPD parliamentary leader, said the party was prepared to talk only if it could take an active part in policy formulation, and stood firmly by the established party line of no change in the constitution.

Tempers rose again over the issue of asylum-seekers, 400,000 of whom are expected in Germany this year, according to Mr Rudolf Seiters, interior minister.

There were calls for the resignation of Mr Erich Riedl, state secretary in the economics ministry, after he called for a suburb of Munich to be declared "a refugee-free zone".

Mrs Heidemarie Wieczorek-Zeul, the opposition European spokeswoman, further stirred the debate on Maastricht, saying the party would block the automatic move into monetary union planned for later this decade.

THE LEX COLUMN

The case for sterling

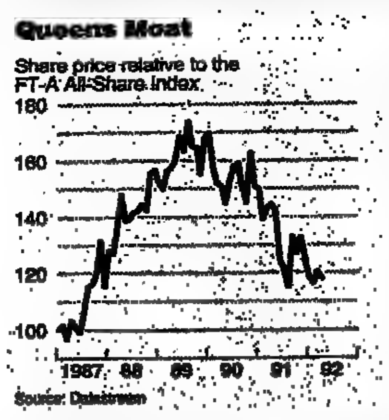
Amid the welter of snap judgments facing the UK markets tomorrow, it helps to keep sight of a few fundamentals. First, the key determinant is the behaviour of sterling. Second, devaluation – whatever the election outcome – is highly unlikely. Third, a fall in sterling big enough to force a rise in interest rates, while plainly a danger, is not very likely either.

The argument runs as follows. The chief priority of a minority government, whether Labour or Tory, would be preparing for the next election. In a sterling crisis, it would have to calculate whether its chances would be more damaged by devaluation or higher interest rates. It would surely conclude that whereas a base rate rise might with luck be reversible before an election, the blowing of sterling's credibility within the ERM would be all too permanent.

If, on the other hand, tomorrow's result was so close as to produce no government to speak of, the Bank of England would simply play by ERM rules. At the other extreme, a majority Labour government might be tempted to renege on its ERM commitment. But, as Labour must be aware, it cannot have it both ways. If it wants to spend, it must borrow. There is simply no evidence that Mr John Smith would be rash enough to raise the cost of attracting foreign money by destroying confidence in the currency.

As for a rise in interest rates, it is striking that on the eve of the election three-month money is only 0.25 per cent above base rate. It must also be recalled that an attack on sterling would first be met by the combined firepower of the Bundesbank and the Bank of England. Even if that did not stop the speculators, they would only press on if they thought the government would crack and settle for devaluation after all. And if the market really believed that, sterling would scarcely have closed yesterday 6 pfennigs above its D-Mark floor.

FT-SE Index: 2393.2 (-11.0)



Wall Street

It would be wrong to ascribe the attack of nerves afflicting Wall Street to selling by Japanese investors anxious to offset losses in their domestic market. Japanese investment in US financial markets has always flowed most heavily into government securities, which have reacted much more stolidly than equities to this week's fall in the Nikkei. Granted, Japanese banks themselves may be under pressure as a result of problem lending to the property sector, and have been selling domestic bonds. But they have even fewer US equities to sell than other financial institutions.

The connection between the Dow's gyrations and the fall in the Nikkei appears both more simple and less pernicious in its broader ramifications. Events in Japan have helped crystallise the view that US equities are overbought. Wall Street's historic multiple of 25 looks high when first quarter earnings are unlikely to show much benefit from recovery. The recovery itself now appears more anaemic than originally expected. It will not be helped if the Japanese economic slowdown spreads to the rest of South East Asia while European growth is kept at bay by the Bundesbank.

Moreover, the Dow has been painting a more optimistic picture than broader indices such as the S&P Composite. Its heavier weighting in fashionable stocks such as Ford, GM and Disney leaves it at about the same level as the start of the year. The S&P, by contrast, which is skewed more heavily to last year's favourites such as drug and food companies, has fallen so far this year by some 6 per cent.

Costain

Yesterday saw the culmination of a nightmarish year for Costain: the announcement of net losses for 1991 equivalent to two-thirds of the group's market value, plus failure to pay the dividend promised with last year's £77m rights issue. At 68p, the shares languish at a third of their level immediately after the cash call.

Given such disappointment, the market will not be easily convinced that the worst is over. The company's contention is that a return to group profitability can be driven by sustained earnings growth from the high quality mining assets, particularly in the US. Contracting margins on oil and gas projects are holding up, even if the dominant UK business will suffer. Meanwhile, repair work on the balance sheet – still burdened by unacceptably high gearing – can continue, given a fair wind for disposals.

The question is whether operating cash flow really will be neutral this year, and whether the UK residential and commercial property markets will inflict further damage before Costain's exit is complete. Last year's land bank write-down may yet prove insufficiently pessimistic, while the unchanged Spitalfields valuation is based on a large number of very long-term assumptions. Notwithstanding management's fighting talk, there is no rush to buy the shares. But they would certainly be cheap if widely mooted profits of £15m were actually achieved this year, and an annual dividend were paid equal to last year's interim.

Queens Moat

It was a pity Queens Moat's poor presentation of two relatively minor matters distracted attention yesterday from a fine performance last year. In marking its shares down by 5 per cent, the market concentrated on a surprisingly fully-priced but small UK acquisition and a confusing stance on depreciation policy. But as Forte's forthcoming results will doubtless confirm, Queens Moat managed a significantly better trading result than its peers.

The reasons for the mere 4 per cent fall in annual pre-tax profits were evident at the interim stage last August. The continental European hotels, particularly in Germany, grew fast enough to offset most of the effects of recession in the UK. Granted, the UK business was hard enough hit for the group's self-employed managers to negotiate a 6 per cent fall in their annual contributions. But on the other hand, that should allow UK profits to recover more strongly when the market eventually improves, although more than half of future revenues will be generated in Europe. On a forward multiple of just 10, the shares look better value than Forte. But given the sector's abiding lack of fashion among investors, that scarcely amounts to a ringing endorsement.

UK election poised on knife edge

Continued from Page 1

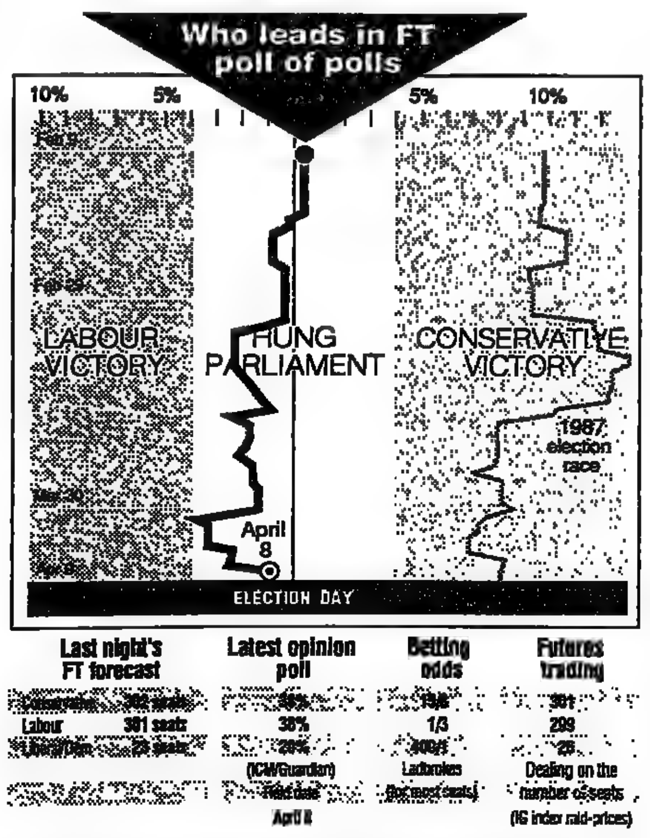
paign during which Mr Major has been dogged by the recession and the poll tax, an unpopular local head tax which the Conservatives have now agreed to repeal, and Mr Kinnock by his party's tax and spending plans.

Mr Major concluded his campaign with a confident assertion that he was "stone cold certain" of an overall majority. Predicting the economy's early emergence from the recession said that the Conservatives' plans, prospects and ambitions could not be matched by their opponents.

His insistence that national polls disguised the Conservatives' strength in the main English election battlegrounds of London, the Midlands and the north-west was mirrored by equally confident claims from Mr Kinnock.

Mr Kinnock last night appealed to the electorate to reject a "Tory future of insecurity, run down and division" and to invest a Labour government with the task of building a Britain capable of being a "pacemaker in Europe".

Earlier Mr Kinnock said that Mr Major had "conceded defeat" after the prime minister was drawn into a lengthy discussion on a phone-in programme about whether the Conservatives would vote against a legislative programme submitted by a minority Labour government.



* Weighted average of six most recent opinion polls computed daily. Does not include telephone polls, panel polls and those that omit sample size or field dates. The graph compares the parties' leads at similar points in the last campaign. The middle line marks level-pegging. If the black line moves left, Labour leads. The Tories lead if it goes to the right.

Japan's woes hit markets

Continued from Page 1

bank, said: "Japanse banks will be no position to expand their loan books and Japanese lending overseas will be very few and far between over the next few months."

Mr David Shulman, equity strategist at Salomon Brothers in New York said: "Obviously there's a negative impact when the biggest stock market in the world is in a free-fall." But he said another reason for the fall in the Dow Jones was the feeling that the New York market was overvalued.

In Tokyo, brokers said investors were largely waiting for prices to settle before buying. But some hard-pressed investors were being forced by financial difficulties to sell. Turnover yesterday rose to 320m shares.

The Ministry of Finance once more insisted it had no plans to prop up the market. Officials argue that market forces must be allowed to run their course. They are also aware that the general public, which is angry about recent stock market scandals, is opposed to action which might bail out speculators.

Reports by Stefan Wagstyl and Emiko Terazono in Tokyo, Peter Marsh and David Barchard in London and Karen Zagor in New York

World Weather

		°C	°F
Ajaccio	R	13	55
Algiers	R	11	52
Amsterdam	S	15	59
Athens	F	19	66
Bahrain	S	23	73
Bangkok	F	38	100
Barcelona	F	13	55
Beijing	S	19	66
Beirut	F	24	75
Belfast	C	10	50
Belgrade	F	13	55
Berlin	F	11	52
Biarritz	C	11	52
Bombay	S	31	88
Bordeaux	C	10	50
Boulogne	S	15	59
Brussels	S	15	59
Budapest	C	10	50
Buenos Aires	F	22	71
Cairo	S	25	77
Cape Town	S	27	81
Caracas	F	31	88
Casablanca †	F	17	63
Chicago †	C	5	41
Cologne	S	15	59
Copenhagen	S	11	52
Corfu	S	16	61
Dallas †	S	15	59
Dublin	C	10	50
Dubrovnik		–	–
Edinburgh	C	9	48
Faro	F	18	64
Florence	F	14	57
Frankfurt	S	14	57
Geneva	F	11	52
Gibraltar	C	16	61
Glasgow	F	11	52
Helsinki	C	3	37
Hong Kong	F	19	66
Innsbruck	S	12	54
Inverness	S	11	52
Islamabad	F	27	81
Istanbul	F	14	57
Jakarta	R	33	91
Johannesburg	F	25	77
Lima	F	28	82
Lisbon	F	15	59
London	F	15	59
Los Angeles †	C	16	61
Luxembourg	S	13	55
Madeira	F	18	64
Madrid	C	12	54
Majorca	Dr	11	52
Malaga	F	20	68
Malta	S	16	61
Manila	F	36	97
Melbourne	C	14	57
Mexico City	F	25	77
Miami †	S	22	72
Milan	F	15	59
Montreal †	S	3	37
Moscow	C	5	41
Munich	S	9	48
Nairobi	C	24	75
Naples	C	15	59
Nassau	C	26	79
New Delhi	S	30	86
New York †	C	12	54
Nice	R	11	52
Nicosia	S	20	68
Oporto	S	12	54
Oslo	S	9	48
Prague	C	8	46
Reykjavik	R	3	37
Rhodes	F	12	54
Rio de Janeiro	C	38	100
Rome	R	14	57
Salzburg	C	10	50
S'Francisco †	S	9	48
Seoul	C	16	61
Singapore	F	32	90
Stockholm	F	5	41
Strasbourg	F	15	59
Sydney	C	17	63
Taipei	C	25	77
Tangier	C	18	61
Tel Aviv	F	26	79
Tenerife	C	20	68
Tokyo	C	15	59
Toronto †	S	1	34
Tunis	F	18	64
Valencia	F	18	64
Venice	S	15	59
Vienna	C	8	46
Warsaw	C	8	46
Washington †	C	12	54
Zurich	S	11	52

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday April 9 1992

INSIDE

NatWest Bancorp back in the black

National Westminster Bancorp, the US subsidiary of the UK's National Westminster Bank, returned to profit in the first three months of 1991 – the first quarterly profit it has made in two years. Profit after tax but before extraordinary items was $16m, compared with a $191m loss in the first three months of 1991. Page 24

High provisions at NationsBank

NationsBank, the US bank, said it expected loan-loss provision 1992 to be $750m to $900m. Mr Kenneth Lewis, president, said the provision and charge-offs would decline materially in 1992, compared with the year before, but would "remain abnormally high". Page 20

Mexican market jitters

The Mexican stock market, which rose 30 per cent in the first two months of the year, has shown its first sign of jitters. Much of the concern is caused by new issues: in the past month Mexican companies raised almost $2bn in the domestic and international markets. Back Page

Crédit Lyonnais faces more pain

Analysts are bracing themselves today for a fall in net profits and hefty provisions at Crédit Lyonnais. The agony will not end there. It almost certainly faces another painful write-down for 1992 because of its exposure to the precarious property sector. Page 18

Inquiry into Owners Abroad

Stock exchange authorities have launched an inquiry into share dealings of Owners Abroad, the UK tour operator. The investigation is believed to cover two issues: the 37 per cent fall in the Owners share price in the past month; and the sale of 690,000 shares by Mr Howard Klein, chairman, to the company's employee share option plan. Page 24

Gold under stress

The South African gold mining industry will today be revealed as an industry under considerable stress, fighting to stay afloat. The March quarterly results will show flat revenues and rising costs. Page 26

UK drags down hotel group

Queens Moat Houses, the UK hotels group, announced full-year pre-tax profits down 3.9 per cent to £90.4m ($158.2m), and warned that there was no sign of a recovery in its UK business. Continental European hotels accounted for 42 per cent of profits before interest and rent. Page 24; Lex, Page 16

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Falls			
Bayer Vereinsbk	413.5	−	8.5
Daimler-Benz	766	−	9.5
Kali & Salz	144	−	4.2
Kaufhof	510	−	10
Mannesmann	282	−	5.8
Volkswagen	366.9	−	8.5

NEW YORK ($)

Rises			
IBM	83⅝	+	1¼
Falls			
Apple Computer	56	−	1¼
Bankers Trust	50¼	−	2⅜
Morgan (JP)	52½	−	1⅜
Primerica	36¼	−	1⅞
Teledyne	23	−	4⅜

New York prices at 12:30.

PARIS (FFr)

Falls			
Alcatel Alsthom	595	−	28
Club Med	512	−	23
LVMH	4365	−	152
L'Oreal	786	−	48
Lyonn Eaux Dmz	495.9	−	25.1
Saint Gobain	531	−	32

TOKYO (Yen)

Falls			
Ashikaga Bank	710	−	130
[illegible]	1540	−	300
Longterm Cred	780	−	130
Nippon Carbon	558	−	100
Nippon Cred Bk	5100	−	1000
Tamura Elec Wk	820	−	200

LONDON (Pence)

Rises			
BM Group	29	+	8
Bowater	693	+	16
Highland Dist	274	+	8
Marks&Spencer	291	+	7
Norweb	245	+	15
Provident Fnl	438	+	11
Shaw (A)	36	+	5
Whitbread A	369	+	6
Young Group	16	+	5
Falls			
Cairn Energy	28	−	4
Dalepak	299	−	24
Dwyer	45	−	10
Euro Disney	1485	−	85
Johnston Grp	177	−	17
Magnolia	85	−	8
Molitone	85	−	9
RPS Group	21	−	3
Rotork	1105	−	36
Slingsby (HC)	90	−	23
Stylo	145	−	30
Watts Blake	345	−	23

Alcatel achieves 20% rise to FFr6bn

By William Dawkins in Paris

ALCATEL Alsthom, the big French telecommunications and engineering group, yesterday reported a higher-than-expected 20 per cent rise in net annual profits and forecast a further improvement in the current year.

Mr Pierre Suard, group chairman, said net profits rose from FFr5.1bn in 1990 to FFr6.2bn ($1.1bn) last year, because of increased sales and earnings across the main divisions: communications systems, energy and transport, electrical engineering and batteries. The net gain came after a FFr2.7bn restructuring charge.

Mr Suard said the performance was excellent and achieved in difficult economic conditions. He said it compared well with competitors.

Group sales rose over the same period by 11 per cent to FFr160bn. The underlying increase was 7 per cent after stripping out the first contribution from one of Alcatel's busiest years for acquisitions.

The main takeovers over the past year were in North America, Germany and Italy and included the transmission equipment division of Rockwell of the US, Telettra, the Italian maker of transmission equipment, Canada Wire, the cable producer, and AEG Kabel in Germany.

As a result of investment growth, net debts rose from 7 per cent of shareholders' funds to 16 per cent over the same period.

Over the past five years, the proportion of Alcatel's sales outside France rose from 30 per cent to 70 per cent, Mr Suard said. "We consider the European market to be our domestic market and, furthermore, a buoyant market which will remain so in the future," he said.

Alcatel is Europe's largest supplier of telecommunications equipment and its communications systems division recorded an 18 per cent rise sales to FFr109.8bn, representing about two thirds of the group total. Divisional operating profits rose 23 per cent to FFr11.8bn.

GEC Alsthom, the energy and transport equipment group jointly owned with GEC of Britain, contributed FFr25.9bn to the group's sales, a 16 per cent rise on the previous year, on which operating profits rose 9 per cent to FFr1.5bn.

Last summer's decision by the state of Texas to use TGV technology "was a major milestone for exports", said Mr Suard.

NTT says profits will fall sharply

By Michiyo Nakamoto in London

NTT, the telecommunications group which is the world's largest company in terms of capitalisation and Japan's largest employer, expects profits to fall sharply in the face of increased competition from newly licensed telecommunications carriers.

Mr Masashi Kojima, NTT president, said the group's profits for the year to March 31, 1993, are expected to fall to below Y300bn ($2.23bn), down from Y351bn which it forecast for the period as recently as February.

In the year to March 31, NTT expects profits within a range of Y300bn and Y375bn.

NTT has faced mounting competition from rival telecommunications groups since it was privatised and the Japanese market was deregulated in 1985.

The new telecoms groups, known as new common carriers, have steadily increased their share of the domestic Japanese market by attracting users with significantly lower call rates. On some heavily used routes, such as between Tokyo and Osaka, the new carriers are estimated to have taken about 50 per cent of the traffic.

The expected deterioration in NTT's profits in the coming year stems from falling revenues because of lower prices and its loss of market share. NTT was forced recently to announce a further rate cut following rate cuts by its competitors.

NTT will cut rates for calls over 160km by 17 per cent in June following plans by the three common carriers to introduce a 10 per cent cut in rates for calls over 170km soon.

Unless NTT follows their lead in reducing costs, it can expect to see a further wave of customers switch over to competitors. The slowdown of the Japanese economy has already led more business users to opt for the services of the common carriers.

At the same time, although NTT faces pressure on revenues, it is almost impossible for it to counter the situation with drastic cost-cutting measures.

NTT still carries the legacy of its public utility days and capital investment decisions are largely dictated by public investment requirements. With the Japanese government expected to increase the level of public spending to boost the economy, analysts are forecasting a rise in NTT's capital investment to Y1,960bn in the coming fiscal year from Y1,890bn in the year to March.

Tokyo fall worries fund managers worldwide

By Norma Cohen and Karen Zagor

THE fall in the Tokyo stock market is worrying fund managers around the world. The anxiety, they say, goes beyond concern for the value of their Japanese share portfolios – the average UK pension fund, for example, has only about 5 per cent of its investments in Tokyo.

Instead, the worry is about "Japan, lenders to the world," said Mr Dick Barfield, chief investment officer at Standard Life, one of the UK's largest insurance companies. "The question is whether there is a knock-on effect for the banking system," Mr Barfield said. If banks have to liquidate holdings of other assets around the world, it could push down bond, share and property prices.

For some time now, Japanese banks have been less enthusiastic lenders abroad, he said, a reflection of their own increasing concern about loan losses.

Other fund managers urge caution about interpreting the huge sell-offs in Tokyo in recent days. "They tend to be clumsy sellers," said Mr Leslie Robb, investment chief at Scottish Widows, the UK life insurer.

In New York, Mr Newton Zinder, technical analyst at Shearson Lehman, was concerned more about the psychological impact of the Japanese decline on US markets than about any direct impact.

"Japan's problems are different from ours – they're going into a recession and we're coming out of ours," he said. "The Japanese banks are seen primarily as a domestic problem. There's very limited Japanese selling of US stocks because there's very limited Japanese ownership of US stocks."

Mr Laszlo Birinyi, market strategist at Birinyi Associates, said: "If the Japanese market stabilises or at least slows its rate of descent, the impact could be somewhat minimal, but if we wake up every morning to big headlines, it doesn't set a good tone for the day. It's unnerving that Japan is not finding a base."

Lex, Page 16

Heavy selling has sent the sector down twice as fast as the Nikkei

Japanese bank shares lose their lustre

By Emiko Terazono and Robert Thomson

The slide of Japanese bank shares has been an important factor in the remarkable loss of confidence in the Tokyo market this week. Heavy selling of bank shares has sent the sector index down by 28 per cent over the past 11 days, while the Nikkei average has declined 15 per cent.

In the past, banks shares have traded at an exaggerated premium to the market as a whole. The price/earnings ratio of the banking sector was 55 per cent higher than that of the Nikkei index in August last year; now it is only 8 per cent higher. "The asset premium of Japanese bank stocks is starting to be stripped," says Mr Alan Bell, of Baring Securities in Tokyo.

Banks own 22 per cent of Japanese equity. Their strategic shareholdings in leading clients and in fellow members of larger corporate groups, the *keiretsu*, are seen as the glue that holds the Japanese corporate system together.

In return, bank shares are held by bank affiliates, client companies and members of the same corporate groups. Even after companies raised increasing amounts of capital from bond and equity markets in the 1980s, these relationships continued to be close. For banks and companies, the obligation to maintain stable stakes in each other was not a burden when the market was rising.

As a result, bank shares are seen in Japan as the least traded, most illiquid sector of the market. While the ratio of stable shareholdings for Tokyo stocks is estimated at 60 per cent, the ratio for bank stocks was about 85 per cent.

Once the stock market turned downwards, however, companies started to look again at their holdings of bank shares. "Companies, already squeezed for profits due to the economic downturn, have started to liquidate holdings of loss-making bank shares," says Mrs Mineko Sasaki-Smith, head of research at Crédit Suisse in Tokyo. A company typically owns shares not only in its main bank, but also in a range of related banks. It is these less-strategic holdings that are now being sold.

Meanwhile, banking relationships have forced banks to support ailing clients. For example, to help out Tobishima, an ailing property developer, its banks have agreed to cut interest rates on Y210bn ($1.6bn) in debt from about 6½ per cent to 3 per cent for a year; an affiliate, Tobishima Urban, will have the interest rate on Y780bn of debt cut to 1 per cent indefinitely.

This restructuring, announced last week, has added to the pressure on bank shares – especially those of Fuji Bank, Tobishima's lead lender. The bank had already forecast a 74.9 per cent decline in net profits to Y30bn, due to losses associated with a fraudulent loan scheme. Its share price has dropped 42 per cent during the past two weeks.

The banks have been more bruised by Japan's financial turmoil than previously thought

More downwards pressure has come from selling by foreign investors. Last year, as the stock market slid, foreign investors were almost the only buyers around, concentrating their purchases disproportionately on the banking sector. They hoped to benefit from the impact of falling interest rates on banks' profit margins.

Bank shares totalled 20 per cent of foreign exposure to the Tokyo market in September 1991, up from 13 per cent the previous year. Now interest rates seem to have bottomed, and foreign investors have been disillusioned by the continued slide in the market.

In short, investors in Japan and abroad have realised that the banks have been more badly bruised by Japan's financial turmoil than they had previously conceded. There is a deeper worry at work, however, than simply a re-rating of an underperforming sector.

Banks had been leading beneficiaries from the sharp rise in stock and property prices in the late 1980s. They made big unrealised gains on their cross-shareholdings, and were allowed to count a proportion of these unrealised gains as capital under the Basle standards agreed by central banks, which take effect at the end of this year.

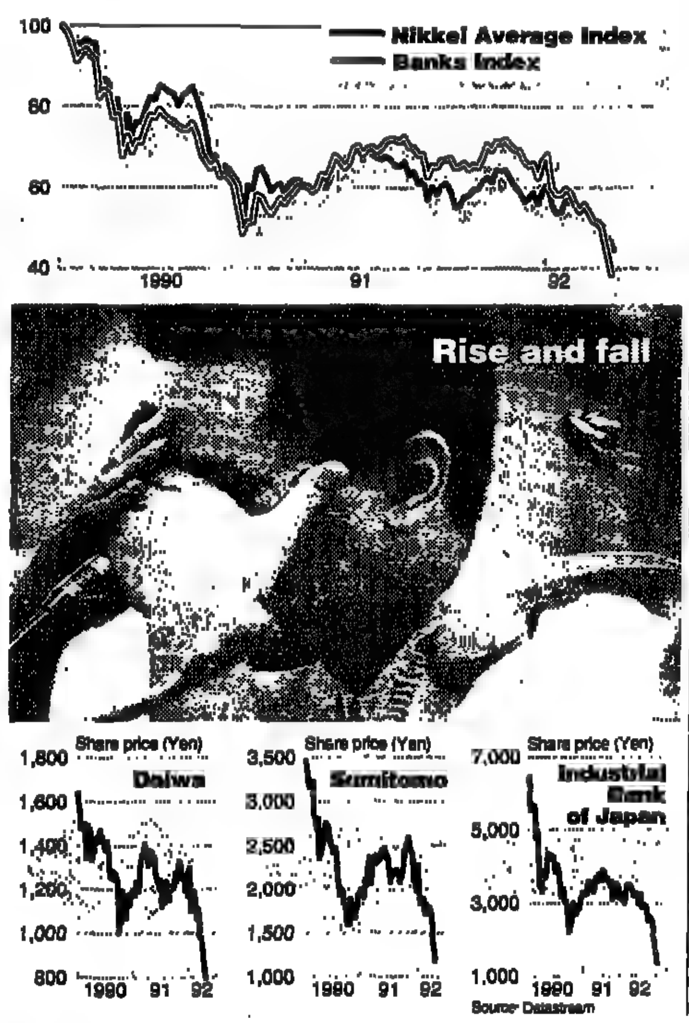
What was a benefit has now become a burden. As unrealised gains have fallen in line with the stock market, the banks' once healthy capital-to-asset ratios have dropped below the 8 per cent ratio set by the Basle accord. With the Nikkei index at the 17,000 level, the average ratio of capital to assets for Japan's long-term credit banks and city banks is at around 7.5 per cent, according to Mr David Atkinson of Salomon Brothers in Tokyo.

To bolster the ratio, banks have turned increasingly to selling subordinated debt to life assurance companies, traditionally stable holders of bank shares. The life companies have indicated that they would like to maintain their net exposure to the banking sector unchanged, by selling bank stocks. The fear of a wave of selling by the life companies hangs over bank shares. It is unclear, however, whether life assurers are really selling: they are likely to get better returns by exercising patience.

Bank shares probably have further to fall. Baring Securities' Mr Bell says they could drop another 20 per cent and – since they make up a quarter of the Nikkei index – the fall could push the stock average down another 1,000 to 2,000 points.

The leading city banks, who are expected to post an average 30 per cent increase in basic business profits, argue that their balance sheets remain sound. A Sanwa Bank official says: "the fall in our share price is not very good for our image, but there's no real harm".

Image has certainly suffered. The Industrial Bank of Japan, the country's most prestigious bank, has seen its market value drop 79 per cent since the height of the 1989 bull market. Where once it towered above its western rivals in market capitalisation, it is now worth only slightly more than Deutsche Bank. Even if, as the Japanese banks insist, they suffer no long term damage from the decline in their share prices, they will not soon recover the lustre of the 1980s.



Source: Datastream

O&Y changes negotiator's role

By Robert Peston in London

MR Tom Johnson, the former banker brought in two weeks ago to spearhead the reorganisation of Olympia & York's $20bn debt, is expected to give up his role as chairman of O&Y's committee negotiating with 200 banks and to surrender his title as the president of O&Y's main operating subsidiary, Olympia & York Developments.

Mr Johnson's abrupt change of role has caused surprise among bankers. However, both Mr Johnson and Mr Paul Reichmann, O&Y's founder, say there has not been "a bust-up" between them. O&Y is not expected to appoint a new president of O&Y Developments, so Mr Reichmann will be left in control of the group.

Bankers close to O&Y said yesterday they were concerned that banks outside the core banking group, led by Canadian Imperial Banking Corporation, Citicorp and Hongkong and Shanghai Banking Group, might "over-react" to the management change and view it as a sign of "instability" at O&Y.

Agreement has not yet been reached on the scope of Mr Johnson's new role at O&Y, though O&Y stressed he would continue to be involved. However, a banker said yesterday that he would be "taking a back seat".

Mr Johnson's change of role has become necessary because in practice the lead in formulating the reconstruction plan has been taken by Mr Steve Miller, a partner in James D Wolfensohn, the investment bank. Mr Miller will replace Mr Johnson as chairman of the planning and finance committee.

Mr Miller played a vital role in the financial reorganisation of Chrysler, the US carmaker, a decade ago.

Around 300 bankers are due in Toronto on Monday, a week later than planned, to hear details of O&Y's proposals to reschedule some of its borrowing. It is understood O&Y will make an announcement about Mr Johnson's change of role before then.

The reorganisation of O&Y's borrowings is the biggest-ever financial reconstruction of a company. O&Y's difficulties have been caused by the fall in property prices in the UK, the US and Canada.

BHF advances to DM342m on buoyant loan demand

By David Waller in Frankfurt

THE Berliner Handels-und Frankfurter Bank (BHF) yesterday rounded off a robust reporting season for Germany's banking sector. The Frankfurt-based merchant banking group announced partial operating profits up by 15.5 per cent to DM283m ($174.7m) and full operating profits – which include the bank's own account trading results – up 13.5 per cent to DM342m.

As with its competitors, which have reported record profits in recent days, BHF enjoyed the benefits of a mixture of strong loan demand, good overseas lending business and improved stock market conditions.

Growth was more pronounced for the parent bank, which had greater exposure to the buoyant domestic banking market. Partial operating profits rose 30 per cent to DM244m and full operating profits rose by 32 per cent to DM303m.

Mr Klaus Subjetzki, the bank's senior partner, said that the parent bank's profits for the first three months of the year were "clearly ahead" of the same period last year. However he said it was too early to predict whether this performance could be sustained for the entire year.

As previously announced, the 1991 dividend will be increased by DM1 to DM13 an ordinary share.

Interest income rose by 20.4 per cent to DM436m last year at the parent bank, and the interest rate margin rose from 1.58 per cent to 1.72 per cent. Commission income rose by 5.3 per cent, reflecting variable conditions in different areas of commission-earning business.

Philips raises Blockbuster stake

By Roland van der Krol in Amsterdam and Nikki Tait in New York

PHILIPS, the Dutch electronics group, yesterday exercised a $66m option to acquire shares in Blockbuster, the US-based video rental chain which owns the Cityvision chain in the UK.

The move raises the Dutch company's stake in Blockbuster to 4.5 per cent and deepens a partnership formed last November. The 6m shares bought yesterday come on top of 2m shares purchased at the end of February.

Blockbuster also said that it had amended an additional option which allows Philips to buy 5m more shares. The option is now exerciseable until December 15 this year, but if the shares are bought between July 1 and the end of the year, the price will rise to $12 per share. If it is exercised before July 1, the price will be $11 – the price at which the 6m shares were bought under the first option.

When Philips agreed to invest the $66m in Blockbuster last year, it said that this would either take the form of a direct stake – exercise of the 6m share option – or that the money would be put into joint projects in the home entertainment field, possibly a stake in Cityvision.

The link with Blockbuster is seen as underlining Philips' commitment to expanding in video rentals, despite the problems it faces in stemming losses at its majority-owned Super Club of Belgium.

Philips is seeking to buy out minority shareholders in Super Club, but the two sides are at odds over the value of the company's shares.

Philips views companies such as Super Club and Blockbuster as vehicles for promoting its new consumer electronics equipment, especially compact disc-interactive, which combines sound, moving images and text.

Blockbuster, the leader in the video rental market, has attracted controversy in the past – both over its accounting policies and over the prospects for the video rental market in the long term.

Costain Group suffers £69m loss

By Jane Fuller in London

FALLING values in the UK housing and commercial property sectors led to 1991 pre-tax losses of £69.2m ($120.4m) at Costain Group, the construction and mining concern.

The stock market had been braced for severe losses and for a failure to pay a final dividend. The share price closed 1p up at 66p yesterday. The maintained interim dividend of 4.75p becomes the total, after 12.25p the previous year.

Last year's pre-tax losses follow a profit of £5.5m in 1990, and that was only a fraction of the peak £91.9m made in 1988.

Turnover declined from £1.49bn to £1.32bn.

One of the big minuses in last year's figures was a £32.5m exceptional write-down on UK housing land, leaving a value of £65m on the remainder. Mr Peter Costain, chief executive, said the running total for housing write-downs was about £70m over the past three years.

"This reflects our position in the south of England, where land prices have taken one hell of a knock," he said.

Mr Costain added that if house prices fell further this year, it would lead to more provisions. A related worry was the possibility of interest rates rising.

The other big exceptional loss was £34.3m on the sale of the UK commercial property portfolio in December.

However, the £101m disposal price helped to reduce debt to less than £200m. Earlier in the year, borrowings were cut by a £77m rights issue.

At December 30, with working capital also reduced, net debt stood at £168m compared with £311m the previous year. Gearing was cut from about 85 per cent to 53 per cent.

The loss per share was 37.5p, against earnings of 1.5p.

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SIP moves ahead on improved sales

By Haig Simonian in Milan

SIP, Italy's state-owned telephone operating utility, raised net group profits by 21 per cent to L486.4bn ($397m), due partly to a 16.7 per cent increase in sales to L19,453bn.

The improvement has prompted a L5 rise in the dividend to L75 a share for ordinary shares and L95 for savings stock. SIP's higher profits, which had been largely expected, came in spite of the slowdown in the Italian economy, with traffic volumes rising by only 8.8 per cent.

The company has been investing heavily to improve the quality of services and install more efficient equipment to raise productivity. SIP said industrial costs had grown by 11.7 per cent in 1991, while operating profits surged by 17.4 per cent to L2,747bn.

The group gave no indication of how much profits had been swollen by its monopoly over Italy's lucrative portable telephones service, which ranks second to the UK with 568,000 subscribers. Executives from SIP, which has an exclusive contract to operate telephone services until early next century, have been fighting government plans to open the market for portable phones to a second operator.

Investments rose by 10.7 per cent to L10,751bn. The company has reached agreement with the government on a price cap system linking tariff increases to pre-set quality and productivity criteria. It said it had increased the number of digital exchanges while the time taken to install a phone had been cut by almost half to 17 days.

● Europa Metalli, the industrial arm of the SMI non-ferrous metals group, raised consolidated turnover to L3,013bn last year from L1,485bn in 1990 following the inclusion of sales for Kabelmetal, the German metals group bought in late 1990. Group net profits rose to L10.9bn after minority interests, against L8.9bn the previous year. As in 1990, the group is not proposing to pay a dividend.

The price of saying 'oui' too often

Alice Rawsthorn on the impact of Crédit Lyonnais' lending miscalculations

The opulent head office of Crédit Lyonnais on Boulevard Haussmann in the heart of the Paris banking district is plastered with posters proclaiming its slogan – *"Le pouvoir de dire oui"* ("The power to say yes").

However, when Mr Jean-Yves Haberer, Crédit Lyonnais' chairman, casts his eye along the list of his bank's debtors, he must wish that it had not said *"oui"* quite so often. This afternoon he will reveal annual results which will show how much it cost Crédit Lyonnais to say yes to Mr Robert Maxwell – the disgraced British media baron – Mr Giancarlo Parretti – the Italian businessman who hauled the bank into an embarrassing and expensive legal fight over MGM, the Hollywood movie studio – and Mr Jean Luc Lagardère – whose media empire, Hachette, has been hit by the collapse of La Cinq, the French TV station.

Analysts are bracing themselves for a fall in net profits from last year's FFr3.7bn ($672.7m) and for hefty provisions, which, as one put it, "could be anything from FFr7bn to FFr10bn".

The agony will not end there. Even if Crédit Lyonnais makes the fullest possible provisions for 1991, it almost certainly faces another painful write-down for 1992 because of its exposure to the precarious property sector, particularly to Olympia & York, the ailing Canadian company currently trying to reschedule its $20bn debt. Crédit Lyonnais is believed to be O&Y's second biggest European creditor, after Barclays.

CREDIT LYONNAIS	1986	1987	1988	1989	1990
Total balance sheet (FFr bn)	20.2	24.6	33.8	39.0	61.6
Total banking income (FFr m)	26,438	27,297	30,171	35,236	40,830
Net profit (FFr m)	1,821	2,223	2,063	3,130	3,707

Source: Crédit Lyonnais annual report

On the surface Crédit Lyonnais seems to be paying a painful price for the aggressive lending policy pursued by Mr Haberer in the late 1980s. This formed part of his attempts to turn the sleepy, state-controlled French bank into a "universal bank" along the lines of the mighty Deutsche Bank, with broad interests across the banking sector, extensive industrial investments and one of Europe's biggest retail banking networks, with a significant presence in Belgium, Spain and Italy as well as France.

The cynics in the French financial establishment, who had fumed as Mr Haberer swept through the ranks of the Treasury and then to the top of the prestigious Paribas investment banking group, were quick to condemn his plans. Over the past year or so they have barely bothered to disguise their glee as Crédit Lyonnais' loans have gone sour.

But Crédit Lyonnais' predicament may not be quite as bad as they think. Some aspects of Mr Haberer's strategy have undoubtedly flopped, notably the loans policy. Many big banks lent money to the stricken giants of the 1980s, but few banks lent quite so much money to so many losers as Crédit Lyonnais.

Crédit Lyonnais has tried to limit the damage. It secured some of its loans to Mr Maxwell and has managed to securitise part of its Soviet debt. It has also won its legal battle against Mr Parretti, if only to be left with the stricken MGM. Moody's, the credit ratings agency, last autumn lowered the rating on $6.9bn of its long term debt.

That said, the real impact of Crédit Lyonnais' bad debts is not as disastrous as it first appears. Mr Sasha Serafimovski, banking analyst at Morgan Stanley in London, reckoned that if it made provisions of FFr8bn for 1991, the charge as a proportion of total loans would be 1.3 per cent.

This would be much lower than such proportions at the big banks in the UK, with an average of 2 per cent, and in the US, where the worst cases have reached 3 per cent.

Moreover, Mr Haberer's strategy has succeeded in some areas. He has been criticised in France for his ambitious international expansion, but most of the investments, notably the Italian and Spanish retail networks, are thought to be performing well as is the core French network.

"Crédit Lyonnais has invested heavily in tighter management and cost control which seems to be paying off," said Mr Chris Davis, European banking analyst at Barclays de Zoete Wedd in London.

The progress in retail banking augurs well for the future. Crédit Lyonnais is trying to expand in Germany where it is in negotiations over an investment in BfG Bank. Last year it also fared well in other financial activities – the Altus banking subsidiary in France and its huge junk bond portfolio in the US.

But Altus is a volatile business, as illustrated by its swing from hefty losses (from foreign exchange dealings) in the first half of 1991 into an impressive profit for the full year, as are junk bonds. "These are high risk businesses," said Mr Serafimovski. "Crédit Lyonnais could make a killing one year, but nothing the next. And what is a French bank doing with one of the biggest junk bond portfolios in the US?"

But most analysts seem prepared to accept that, however ghastly today's results may be, it is still too soon to assess whether, in the long term, Mr Haberer's strategy will succeed. "Crédit Lyonnais certainly has its problems, but this is a very big business. It will be three or four years before we can make a sensible assessment," said Mr Davis.

ICL slips to £78m in 'difficult year'

By Alan Cane in London

ICL, the UK-based computer manufacturer in which Fujitsu of Japan has a majority stake, was profitable in 1991 – albeit at a reduced level – in the worst trading environment the industry ever experienced.

Operating profit was £78m ($135.7m), a 30 per cent decline on the previous year's £112m. Revenue, however, rose 16 per cent to £1.87bn, against £1.61bn a year earlier.

The rise in revenue reflected a three-month contribution from Nokia Data, the Finnish personal computer operation bought last year. There were also contributions from ICL's investment in CFM and Sorbus, European computing services companies specialising in maintenance and facilities management.

Without these contributions, revenue growth was essentially flat, emphasising the effect of recession on the company's main markets in the US, UK and the rest of Europe.

Mr Peter Bonfield, chairman and chief executive, said it was a creditable performance in a difficult year. The group had incurred substantial expenses as a result of the Nokia acqusition and new product introductions. Research and development costs increased 4 per cent to £223m.

Nevertheless, it was the first time the company had demonstrated that it could increase its market share in Europe. Most of its traditional competitors lost money last year.

Net earnings amounted to £39m. After ordinary dividends, the company will retain net cash of £31m. Group borrowings are £51m, equivalent to gearing of 17 per cent.

Mr Bonfield said he believed the current year would be as difficult as 1991. However, he expected revenues to increase with the complete assimilation of Nokia. Research expenses would grow but as a smaller percentage of sales.

ICL, owned 80 per cent by Fujitsu and 20 per cent by Northern Telecom of Canada, has no need to report its results separately, but is doing so both to emphasise its arms-length relationship with its main shareholder and to prepare for its eventual flotation on the London stock market.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	16.80	16.80
0100	16.82	16.89	16.89
0130	17.03	16.91	16.91
0200	23.42	16.91	[illegible]
0230	23.42	16.88	16.88
0300	23.42	16.80	[illegible]
0330	22.41	16.75	16.75
0400	17.04	16.74	16.74
0430	[illegible]	16.74	16.74
0500	16.88	16.73	16.73
0530	16.96	16.80	16.80
0600	16.95	16.81	16.81
0630	16.82	16.87	16.87
0700	19.67	16.86	16.86
0730	20.19	18.14	19.52
0800	21.06	18.17	18.66
0830	23.67	20.30	21.76
0900	23.80	24.64	26.26
0930	23.86	24.65	26.26
1000	23.94	24.64	26.25
1030	23.64	24.64	26.26
1100	21.05	23.25	24.80
1130	21.03	23.25	24.81
1200	21.03	23.25	24.81
1230	20.67	23.25	24.81
1300	20.66	23.25	24.78
1330	19.67	18.39	19.77
1400	19.17	18.39	19.76
1430	19.17	18.17	18.55
1500	19.17	18.17	19.55
1530	19.16	18.96	[illegible]
1600	19.17	18.17	19.54
1630	19.17	18.29	19.78
1700	19.17	18.21	19.66
1730	19.17	18.40	19.77
1800	[illegible]	18.41	19.79
1830	19.76	24.93	26.50
1900	19.16	24.96	26.53
1930	16.99	24.95	26.51
2000	[illegible]	[illegible]	26.40
2030	22.61	18.50	19.87
2100	22.61	18.17	19.53
2130	22.61	18.17	[illegible]
2200	22.61	16.92	16.92
2230	[illegible]	16.86	[illegible]
2300	[illegible]	16.83	16.83
2330	16.88	16.74	16.74
2400	[illegible]	16.74	16.74

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

INTERNATIONAL COMPANIES AND FINANCE

Advertising rebound lifts Dow Jones income 58%

By Martin Dickson in New York

DOW JONES, publisher of the Wall Street Journal, yesterday reported a 58 per cent rise in first-quarter net income as advertising lineage at the newspaper rebounded from the depressed level of 1991.

Dow Jones reported income of $28.39m, or 28 cents a share, compared with $17.96m, or 18 cents, in the first quarter of last year.

Revenues rose nearly 5 per cent to $436m. The profit figures were towards the top end of Wall Street expectations.

The Wall Street Journal has been helped over the past two quarters by advertising for the flood of new securities issues in the US market. Corporate advertising, hit hard by the recession, still appears to be relatively soft, say brokers' analysts.

The company itself attributed its improved performance to higher advertising lineage at the Journal, lower interest expense and improved earnings at Telerate, its electronic financial information service, and at its Ottaway community newspapers.

Operating income at its business publishing segment rose from $9.68m to $24.62m on revenues 8 per cent higher at $186m. Advertising lineage at the Journal rose 9.2 per cent relative to the first quarter of last year.

There was one additional publishing day this year, and on a per-issue basis lineage rose 7.5 per cent.

The company's information services segment – which includes Telerate – produced operating income of $40.26m, compared with $38.52m, on revenues 2.2 per cent higher at $196.25m.

Ottaway Newspapers saw a rise in profits from $2.7m to $4.14m, while revenues rose 2.6 per cent to $53.23m.

However, advertising lineage at its daily newspapers fell 5.5 per cent.

Record year for FLS Industries

By Hilary Barnes in Copenhagen

FLS INDUSTRIES, the Danish industrial conglomerate, improved net profits to a record DKr660m ($104.8m) last year from DKr586m in 1990. The group's interests include cement-making equipment, environmental engineering, building materials and aircraft maintenance.

Profits before tax and extraordinary items were up from DKr670m to DKr890m, which increased the return on equity from 20 to 19 per cent. Group sales moved ahead from DKr11.35bn to DKr12.59bn.

After an extensive programme of acquisitions over the past few years, the group said the share of sales abroad had increased from 49 per cent in 1989 to 75 per cent last year.

The board proposed an unchanged DKr12 dividend per share and a one-for-five scrip issue, marking the group's 110th anniversary.

Employees will be offered 4.7m B shares, face value DKr100, at a price of DKr105. The market price, after a DKr18 rise yesterday, is DKr634.

The board said the group expected to be able to maintain a satisfactory result in 1992.

Although demand in main markets for their leading products was expected to remain weak, several group companies had such a strong market position that they were able to maintain earnings even in difficult times, the company said.

Hafnia's 1991 accounts delayed

By Hilary Barnes

THE BOARD of Hafnia Holding, the beleaguered Danish insurance group, failed to approve the 1991 accounts after meeting all day yesterday. A brief statement said that the board would complete its deliberations by April 10 at the latest.

Hafnia's shares were suspended on the Copenhagen and other stock exchanges on Monday as speculation about the future of the group mounted.

After heavy and costly investments in Baltica, its Danish rival, and Skandia, the Swedish insurer, the group is expected to report a substantial loss for 1991.

Since its investment in Skandia in December, when the Danish company, together with Norway's UNI Storebrand, tried to gain control of the Swedish group, Hafnia has maintained almost complete silence on the progress of talks with Skandia.

Monday's statement to the stock exchanges said the negotiations with Skandia were reaching a conclusive phase, but this assertion was not supported in comments from either Skandia or UNI.

Speculation in Copenhagen yesterday was that Hafnia's attempt to gain control of Skandia might end in a complete reversal, with Skandia taking over Hafnia.

Power Financial tumbles 14%

By Robert Gibbens in Montreal

POWER Financial, the financial services arm of Paul Desmarais' Power Corporation of Canada group, reported that 1991 profit fell 14 per cent to C$159.7m (US$134.2m), or C$1.77 a share, from C$184.6m, or C$2.02 a share, in 1990.

The decline was due to lower income from short-term investments.

PFC's share of earnings of subsidiaries and in Canada and Europe, however, rose slightly. PFC controls two of Canada's largest financial services, Great-West Lifeco and Investors Group, and also a 25 per cent interest in Pargesa Holding, of Geneva.

● The C$41bn Caisse de Depot, the investment arm of the Quebec Pension Plan, has invested C$30m for a 2 per cent interest in the Paribas group holding company, Copeba.

Mr Pierre Scohier, president of Copeba, said in Montreal the two organisations will co-operate in investing in Quebec, Canada and Europe. Mr Jean-Claude Delorme, chairman of the Caisse, will join the board of Copeba.

Copeba owns interest in several Quebec-based companies. The Paribas group is the second-largest stockholder in Power Corp of Canada, with two seats on the board.

● Dominion Textile, Canada's only surviving integrated textile producer, has retained Goldman Sachs of New York, to look at all options for its yarn business.

Domtex would consider selling it, merging it with another company or an initial public offering.

The yarn business, with annual sales of US$275m, represents about a quarter of Domtex's total business in North America, Europe, North Africa and Asia. It supplies commodity and specialised yarns for knitted and woven apparel fabrics, for furnishings and industrial products.

It has seven plants in Canada and four in the US, with a total payroll of 2,000.

Court allows more time for MCC plan

By Alan Friedman in New York

THE court-appointed administrators of Maxwell Communications Corporation (MCC), the UK-based company once controlled by the late Mr Robert Maxwell, have been granted a 60-day extension of their exclusive right to file a reorganisation plan for the company.

The delay was granted on Tuesday night by Ms Tina Brozman, the New York bankruptcy court judge who has overseen the running of MCC since last December, when the company filed for protection from creditors under Chapter 11 of US bankruptcy law.

MCC is operating under a complex arrangement that permits the Macmillan publishing company and Official Airline Guide, both MCC subsidiaries, to function in the US and requires co-ordination between New York and UK court administrators of the Maxwell empire.

Judge Brozman granted the extension, to June 15, saying the complexity and time-consuming research required to ascertain the disposition of assets warranted the ruling.

Time Warner, the US entertainment and media group, has agreed to buy Maxwell's British publishing business, Macdonald and Co, for an undisclosed price.

Canadian Air chief prefers American link

By Robert Gibbens in Montreal

CANADIAN Airlines International's best chance for survival in an age of mega-carriers is through alliance with American Airlines, says Mr Rhys Eyton, the Canadian airline's chairman.

This could lead to American buying 25 per cent of Canadian, he said in Montreal, but control of Canadian would remain firmly in Canada.

The deal would allow Canadian to cut costs by winning access to American's more sophisticated computer systems, and both airlines will share staff in foreign locations.

He dismissed a merger with Air Canada in any form. Merging the two airlines' international routes while remaining separate domestically would be unworkable for competitive reasons.

"Two carriers with 80 to 100 aircraft cannot stand up to the competition from British Airways, Delta, American and United, each of which operate 500 or more," he said.

USF&G sees first-quarter profit

By Nikki Tait in New York

USF&G, the large but troubled Baltimore-based insurer, yesterday told analysts that it expected to beat current market expectations when it reports figures for the first quarter of 1992, posting a very small profit for the period.

Mr Norman Blake, the company's chairman, said that net income for the quarter will be around $2m to $5m, and that this will translate into a loss per share of around 9 to 12 cents after paying preferred stock dividends. Analysts had been predicting a loss of some 30 cents a share.

In the previous year, the first-quarter figures showed a net loss of $55m, or 70 cents a share.

For the full year, the deficit amounted to $176m, having reached $569m in 1990 – in part, a reflection of charges arising from a restructuring of the business.

Mr Blake acknowledged yesterday that the insurance environment remains "soft", but suggested that the improved figures stemmed for the realignment of the business. USF&G has taken steps to overhaul its business under Mr Blake's command – pulling out of workers' compensation business in certain states, for example, ceasing to write new personal lines insurance in others, and slashing both head office staff and branch offices.

Analysts, however, have questioned whether – in the process of improving the bottom-line results – the fairly drastic cutbacks would undermine USF&G's franchise.

Part of the insurer's problems stem from souring real estate investments, and Mr Blake acknowledged yesterday that his predictions for the first quarter allowed for some further strengthening of real estate reserves, together with core insurance loss reserves.

Shares in USF&G were unchanged at $9 yesterday, having been close to $50 in the late-1980s.

Value Line ranks USF&G as the 13th largest property-casualty insurer in terms of premium volume, and around 60 per cent of its written premiums relate to commercial coverage.

There has been talk of some improvement in personal lines pricing, although few insurers think the cycle has turned, but commercial lines pricing has been highly competitive and a further shake-out in capacity is thought necessary.

● Non-performing real estate loans will be a significant drag on Travelers Corporation's earnings this year, said Mr Edward Budd, chairman, Bloomberg reports.

After the insurance company's annual meeting, Mr Budd said he did not know how much the company's troubled loan portfolio would affect profits this year.

Describing 1991 as one of the toughest years in recent memory for the company, he said profits last year would have been $300m higher if it were not for underperforming real estate loans. The company earned $318m last year.

Underperforming loans in Travelers' $15bn real estate and mortgage portfolio were $5bn at the end of the year.

Brazil's Telesp tumbles into the red after price freeze

By Bill Hinchberger in Sao Paulo

TELESP, the public telephone company serving Brazil's largest state, Sao Paulo, suffered losses of $12.9m (Cr13.7bn) for 1991, compared with profits of $107.3m the year before.

Telesp was among the most sought after companies in the Brazilian stock market in 1991. Its ordinary stock increased in value by 12,419 per cent and preferential stock by 11,046 per cent during the year.

One reason for Telesp's negative showing in 1991 was the price freeze imposed by the federal government during most of the first semester, said Mr Pedro Vilani, senior investment analyst for Norchem Bank, a Sao Paulo bank.

"After August, there were steep price increases, and by the end of the year, prices had caught up with inflation," Mr Vilani observed.

Another reason for Telesp's losses was the effect of a law requiring companies to revalue assets to incorporate real inflation rates, which were higher than original government figures.

"Law 8200 was a new factor from the point of view of investors," noted Mr Vilani.

The Norchem analyst expects Telesp to bounce back in 1992. In addition to price increases, he noted that positive signs included the company's expansion plan and its solid financial structure. "We are expecting better results in 1992," he predicted.

● Usiminas, the recently privatised steel producer, announced that it overcame the effects of Law 8200 to make profits of $69m (Cr74bn).

The company said the inflation accounting changes required by 8200 cut profits by more than half, forcing a downward adjustment of $82m.

Usiminas was the first company sold, in October, under President Fernando Collor de Mello's privatisation programme. In 1990, it earned $11.3m.

The company is studying restructuring plans and hopes to buy into some of the state-owned firms scheduled to go on the block, including Acesita, Acominas and CST.

Downturn in CGIP's annual earnings

By William Dawkins in Paris

COMPAGNIE Générale d'Industrie et de Participations (CGIP), the French holding group controlled by the Wendel steel family, yesterday reported a slight decline in net annual earnings.

The group, a big shareholder in both CMB Packaging, the Franco-British packaging group and in Cap Gemini Sogeti, Europe's leading provider of computer services, saw provisional net income decline to FFr664mm ($118.57m) last year from FFr698m in 1990.

This was "a stable performance in a difficult economic environment", said Mr Ernest-Antoine Seillière, CGIP's chairman.

It reflected an improvement from CMB Packaging, soon to be renamed Carnaud Metal Box after the companies described by its initials, a downturn at Cap Gemini Sogeti, and the absence of a large exceptional gain made from an asset sale in 1990, he said.

New management had moved into place smoothly at CMB, after last year's change of chairman, and co-operation with the British shareholders was good, said Mr Seillière. CGIP was "a faithful shareholder" in CMB and expected fresh progress from the group, he said.

NationsBank provisions 'high'

NATIONSBANK said it expected its loan loss provision for all of 1992 to be be in the range of $750m to $900m, AP-DJ reports from Atlanta.

Mr Kenneth Lewis, president of NationsBank, told an Atlanta business group that the loan loss provision would be "heavier in the first half of the year and trending down in the later quarters".

He added that the company expected that its loan loss provision and charge-offs would decline materially in 1992, compared with the year ago, but will "remain abnormally high".

Analysts project NationsBank will earn $4 to $4.10 per share in 1992, up from $0.76 in 1991 when the North Carolina-based company had huge extraordinary expenses from acquiring C&S/Sovran as well as enduring weakness in loan quality.

Mr Lewis said NationsBank had already reduced 3,000 job positions out of the total 9,000 it plans to eliminate over the next two years.

He said NationsBank is negotiating to sell two portfolios of real estate with a combined total of $850m, and that the company should know "this quarter" whether those deals will happen.

Mr Lewis declined to give an outlook for the first quarter, but indicated that there would be "further significant (securities) gains" in the quarter as the company continues to restructure the average maturity of its portfolio downward.

The company expected a decline in non-performing asset levels in 1992, but the economy and asset-disposition efforts would determine the degree of the decline.

Czech tobacco group draws bids

Western companies are vying to buy Tabak, writes **Ariane Genillard**

The future ownership of Tabak, the Czech tobacco company, is to be decided shortly after the close tomorrow of a tender which has stirred the controversy about the sale of former communist monopolies to western companies.

Bidders – which include Philip Morris, RJR Reynolds, BAT Industries, Seita and Rothmans International – have been asked to present offers to acquire an initial 30 per cent of the company. This stake is expected to grow into a majority ownership over time.

The investment will provide a strategic stronghold in the Czechoslovak tobacco industry and in eastern Europe.

Tabak produces 20bn cigarettes annually and dominates the tobacco industry in Czechoslovakia, which it shares with a smaller Slovak company.

The company's production volume also exceeds that of the Hungarian plants which were recently sold to foreign companies.

Multinational tobacco companies have been running a cut-throat race to win positions in the eastern European cigarette markets.

The rising demand for western brands in these countries provides scope for greater growth than in western countries where sales are likely to decline.

The strategic value of the Czechoslovak tobacco company has been lifted by the recent decision of the government to keep the company as a whole rather than sell it in parts to competing buyers.

This move differs from Hungary, where Philip Morris has invested in the largest tobacco company and will be competing with BAT, which recently bought a plant producing 40 per cent of the 26bn cigarettes consumed annually in the country.

In Poland, a government decision on the fate of the various tobacco plants, which already operate independently, is needed before sales can proceed. The Czech company, whose 1991 sales amounted to Kcs4bn ($133m), controls an estimated 70 per cent of the tobacco market in the Czech republic. On the national level, it is believed to control 60 per cent of the Czechoslovak market, which it shares with the Slovak tobacco company, CSTP.

Multinational tobacco companies have been running a cut-throat race to win positions in the eastern European cigarette markets

Tobacco companies have complained that the sale of Tabak will give a quasi-monopoly situation to the final buyer and prevent competition among plants.

They claim that selling separate plants would maximise the level of investment in each plant, provide guarantees for employment levels and foster overall growth.

The maintenance of a quasi-monopoly could lead to high prices and reduced output, which in turn would affect tax revenues. Tobacco companies are still taxed on a turnover basis in Czechoslovakia although a VAT tax is planned for the near future.

Arguing against a break-up of Tabak, Czech officials have pointed out that Tabak's position is not fully monopolistic because it shares the national market with CSTP, the Slovak tobacco company and because imports of cigarettes are liberalised. Legal cigarette imports accounted for 4 per cent of the overall 31bn of cigarettes consumed in Czechoslovakia in 1990.

CSTP produces an average of 12bn cigarettes a year. It is also up for sale with Austria Tabak believed to be a front runner. A clause in the purchasing contract of Tabak stipulates that the two companies have to be sold to separate international.

Government officials have argued that the five plants of Tabak are inter-dependent and therefore cannot be easily separated. Filters and packages, for example, are all produced in one plant.

Large companies in Czechoslovakia, which operated in monopolistic situation in the communist era, have proved difficult to restructure before sale. This has been achieved when production was differentiated, as is the case for Skoda-Pilsen, the large engineering company where separate joint ventures were created.

In many cases, the government, which wants to privatise as fast as possible, has opted to sell whole companies.

The recent sale to Nestlé and BSN of Cokoladovny, the Czech chocolate manufacturer which operates 15 plants and holds 85 per cent of the market for chocolate products in the Czech republic, was criticised locally as preventing the development of smaller separate companies.

In general, the Czechoslovak authorities have preferred to ensure local companies a significant western buyer rather than risk lowering interest by offering smaller units.

In the case of Tabak, selling the company with its large market share will maximise the investment, say Czech officials.

Western companies investing in eastern Europe have often been willing to pay more for significant market shares than for assets, which often need considerable upgrading.

To prevent the final buyer from concentrating operations at one Tabak plant, Czech officials say that the purchasing contract will include a period of time during which employment must be maintained and operations cannot be closed down.

This provision, which has been common in joint venture agreements signed in Czechoslovakia, could stretch over three to five years, officials say. Such a provision would not prevent the buyer from significantly reducing operations in some plants.

Winning control of Tabak would be an important prize for an international group involved in the intense global battle for market shares. With this advantage at stake the government is expecting a high price.

Leo Melamed: hopes for 900 terminals within five years

Globex system to be launched on June 25

GLOBEX, the after-hours electronic trading system for futures and options, is finally to be launched on June 25, it was announced in Tokyo yesterday.

The system, jointly developed by the Chicago Mercantile Exchange (CME), the Chicago Board of Trade (CBOT) and Reuters Holdings, has been bedevilled by delays and teething problems over the past two years. Tests at 250 keystations were completed on March 27, and the system is ready for launch, Mr Leo Melamed, Globex chairman, said.

Mr Melamed said he had a meeting with Mr Tadao Chino, the vice-minister at the Japanese Ministry of Finance, on Tuesday, who reconfirmed the ministry's approval for the system to operate in Japan. He said the ministry had previously given its blessing to Globex in 1990.

He said that he hoped Globex, which would open with 250 keystations in Japan, would expand to 900 terminals within five years.

Mr William Brodsky, CME president, said the Globex centre in Chicago would be expanded to operate as a help centre in every time zone.

Australian resource companies shelve rationalisation plans

By Bruce Jaques in Sydney

CRA and North Broken Hill Peko, the Australian resource groups, have shelved plans for one of the biggest rationalisations this decade in the country's mining and smelting industry.

The two companies announced yesterday they were deferring plans to halve their joint interests in the country's biggest smelting company, Pasminco, to about 40 per cent.

CRA and NBH Peko announced in late February they were placing stakes of almost 20 per cent each in Pasminco's capital on the market following a A$36.5m (US$28m) slide into the red by the latter company for the December half.

However, CRA and NHB Peko yesterday said they had resolved, after considering a recommendation from their advisers, not to proceed with the sale "as the objectives of all parties could not be met".

They indicated a divergence in NHB Peko's and CRA's attitude to the Pasminco investment. "North reaffirms its view that its strategic goals will best be achieved by a reduction in its shareholding in Pasminco," they said.

"North will continue to consider the manner in which a reduction may be achieved." This contrasted with CRA's view: "As a diversified resource company, CRA has maintained its long-term interest in the lead/zinc sector.

"This interest underlies its involvement in Pasminco and its commitment to its future success. Currently, CRA is evaluating two major zinc discoveries at Century and Dugald River in Queensland.

"It sees Pasminco's Australian smelters as having synergies with these potential developments. CRA's investment position in Pasminco will be depend on these longer-term considerations and on the structure of the other shareholdings in Pasminco."

The two companies said Ord Minnett Securities in Australia and Credit Suisse First Boston in London would continue to advise on the Pasminco shareholdings.

- Delta Gold, the emerging Australian gold producer, has announced plans to raise A$41.9m with a 3-for-10 issue of shares at A$1 each. Funds raised will be used to develop the company's Kanowna Belle gold deposit, near Kalgoorlie, one of Australia's richest recent gold finds.

Hongkong Electric sets up HK$1bn paper programme

By Simon Holberton in Hong Kong

THE Hongkong Electric Company (HEC) yesterday said it had arranged a HK$1bn (US$129.4m) commercial paper programme with 23 financial institutions extending over 5 years.

The programme, arranged by Wardley Capital but which is not underwritten, will enable HEC to raise either US or Hong Kong dollar-denominated commercial paper for periods of one month to 12 months. It enables the company to raise fixed-rate finance for periods of 12 months to 60 months in either currency.

Mr Howard Welsh, HEC's finance director, said the facility would allow the company to take advantage of competitive funding opportunities as they may arise. "We are delighted by the strong support demonstrated by the financial community for the programme," he said.

The 23 financial institutions would act as a tender panel although HEC was allowed to accept unsolicited bids from any member of the panel, Mr Walsh said.

HEC is owned by Hutchison Whampoa's listed subsidiary Cavendish International. It operates Hong Kong island's electricity monopoly.

Commission clears way for NZ Steel takeover

THE New Zealand Commerce Commission, the monopolies watchdog, has cleared Tasman Steel, Broken Hill Proprietary's subsidiary, to buy New Zealand Steel, Reuter reports from Wellington.

BHP already owns 31 per cent and said it wanted to buy complete control. Other shareholders have said they are willing sellers.

"The commission is satisfied that the acquisition will not result, or will not be likely to result, in the acquisition or strengthening of a dominant position in New Zealand steel markets," said Ms Susan Lojkine, commission chairman.

BHP still must get clearance from Australia's monopolies watchdog, the Trade Practices Commission, to proceed with the purchase.

Fisher & Paykel Industries and Steel & Tube Holdings last week sold their non-voting shares in NZ Steel to BHP for NZ$47.75m (US$26.1m) and NZ$26m respectively. Each owns 25 per cent of the voting shares and said they would sell them to BHP once given approval.

Australia and New Zealand Banking (ANZ) said it was willing to sell its 19 per cent stake and had held preliminary talks with BHP, but had not received an offer.

The New Zealand commission said that imports imposed an effective competitive restraint on NZ Steel.

Fisher & Paykel said NZ Steel had performed disappointingly since the Helenus consortium bought into it for NZ$323m in 1989 and that it would require fresh capital.

NZ Steel, backed by government-guaranteed loans, underwent expansion in the late 1980s but the government had to bail it out to the tune of NZ$1.5bn in 1987. The government sold it to Equiticorp International for NZ$327m. Equiticorp later collapsed and it was sold it to Helenus.

Ms Lojkine said the commission acknowledged concerns of Australian steel suppliers. But it only had to assess proposals in terms of New Zealand markets, she said.

NEC to develop chip with MIPS Computer Systems

NEC, the Japanese electronics company, and MIPS Computer Systems, the US microprocessor manufacturer, have agreed to develop jointly a 64-bit Risc (reduced instruction set computing) chip for a wide range of uses, Reuter reports from Tokyo.

Risc chips, which process information faster than conventional microprocessors by having fewer instructions in a computer operation, are mostly used in workstations.

Under the agreement, MIPS will design VRX chips according to NEC's specifications, and NEC will get exclusive manufacturing and marketing rights for the first year. NEC said it hopes to launch VRX products in the latter half of 1993.

Malaysian power offer is 3.47 times oversubscribed

MALAYSIA'S public offer of 240.12m shares of Tenaga Nasional, the state-owned electricity monopoly, at M$4.50 each was oversubscribed 3.47 times, Reuter reports from Kuala Lumpur.

The flotation, which is part of Malaysia's privatisation programme, is the country's largest ever. It comprised 685.05m shares of which 240.12m were available for public subscription, and the remainder placed with institutions.

Another 60m shares were offered to locals and foreigners under a tender system. These were oversubscribed 6.47 times with the highest bid at M$7.10 per share. A further 84.93m were offered to Tenaga employees while 300m were alloted to approved Bumiputra investors.

INTERNATIONAL CAPITAL MARKETS

Gilts rally as dealers cover short positions

By Tracy Corrigan in London and Karen Zagor in New York

GILT prices rallied ⅝ point as dealers rushed to cover short positions ahead of today's general election. The market was boosted by buying interest from foreign investors, suggesting that fears about sterling weakness may be subsiding.

Many dealers have been running short positions ahead of the election, and so were caught short of bonds by the rally. However, some traders have been flattening their positions on the grounds that a Labour victory in the election has been largely discounted.

The short end led the way, with the short sterling future on Liffe up ¼ point, suggesting that fears of interest rate rises after the election may be subsiding. The market was also boosted by rumours of a new poll showing the Tories three points ahead of Labour.

The short end of the market outperformed long-dated government bonds in France and Germany, in choppy trading conditions. French and German 10-year government bond future contracts failed to break through key resistance levels, and dealers reported some profit-taking.

The OAT future on the Matif, the French futures exchange, ended down 0.10 point at 107.90, while the Bund future on Liffe in London closed a touch lower at 87.90.

A speech by France's new prime minister, Mr Pierre Bérégovoy, underlining a stronger emphasis on economic growth, had been largely discounted by the market, according to dealers. Improved retail demand for short-dated paper should help the market absorb this month's auction of two- and five-year bonds, dealers added.

■ US Treasury prices edged lower on the back of a sharp drop in the US equity market.

At mid-session, the treasury's bellwether 30-year bond was ¼ lower at 101$\frac{1}{16}$, yielding 7.9 per cent, while the two-year note was unchanged to yield 5.28 per cent

The Federal Reserve refrained from intervening in the open market; at mid-session Fed funds were changing hands at 3$\frac{15}{16}$ per cent.

Most of the trading was concentrated at the short end of the yield curve, amid renewed speculation that weak money supply growth and a sluggish recovery might prompt the Federal Reserve to ease monetary policy.

Trading of intermediate-dated issues was dominated by the afternoon's auction of $9.75bn of seven-year notes. Ahead of the auction, there was concern that dealers would have to underwrite the issue.

■ IN the German market, the yield curve steepened further, as the Euromark contract rallied by ½ point. Dealers said the view that inflation had peaked and an interest cut may come sooner than had been thought, helped buoy the short end. There were further rumours, again denied, of a public sector wage settlement.

■ JAPANESE government bond prices stabilised, helped by the stock market, which ended off its lows. The market remained nervous, though, with rumours of further problems in the banking sector.

However, there was also some speculation that the Bank of Japan may speed up the process of easing interest rates.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	101.4324	-0.132	9.78	9.91	10.07
BELGIUM		9.000	06/01	101.3500	-0.050	8.77	8.88	8.69
CANADA *		8.500	04/02	98.5500	+0.550	8.72	8.63	8.60
DENMARK		9.000	11/00	100.7700	-0.050	8.85	8.91	8.59
FRANCE	BTAN	8.500	03/97	98.6782	+0.075	8.83	8.98	8.75
	OAT	8.500	11/02	98.8200	-0.130	8.66	8.72	8.49
GERMANY		8.000	01/02	100.4600	-0.030	7.92	8.02	7.88
ITALY		12.000	02/02	97.7300	-	12.40†	12.40	12.13
JAPAN	No 119	4.800	06/99	94.6312	+0.341	5.88	5.65	5.75
	No 129	6.400	03/00	104.7179	+0.859	5.56	5.42	5.43
NETHERLANDS		8.250	02/02	99.6900	+0.070	8.29	8.40	8.21
SPAIN		11.300	01/02	102.0500	-0.030	10.92	10.94	10.67
UK GILTS		10.000	11/96	99-14	+13/32	10.15	10.35	9.61
		9.750	08/02	99-10	+12/32	9.85	10.00	9.50
		9.000	10/08	95-00	+13/32	9.61	9.73	9.29
US TREASURY *		7.500	11/01	100-26	-1/32	7.38	7.54	7.46
		8.000	11/21	101-08	-3/32	7.89	7.98	7.93

London closing. *New York morning session. Yields: Local market standard
† Gross (including witholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Samsung bond marks the return of Koreans

By Richard Waters

KOREAN companies are expected to begin a return to the Euromarkets today with the launch of a $150m convertible bond for Samsung Electronics.

It will be the first international equity-linked issue by a Korean company since the country's stock market was opened to foreign investors at the start of the year.

The ability of foreign investors to buy shares in the domestic market, rather than through equity-linked euro-offerings, is expected to have an impact on the yield investors demand on securities issued internationally.

"The terms of the convertible will have to provide an attractive alternative to buying stock in the secondary market," one banker close to the issue said.

Samsung's 15-year issue is due to be followed by others from Korean companies in the months ahead.

Chonju Paper, another part of the Samsung group, is expected in May to seek between $20m – $25m from international investors through an issue of Euro-depositary receipt arrangement.

These are similar to global depositary receipts, except that the securities will not be traded in the US.

It is also believed that Hyundai Motor, another leading Korean company, would seek to raise up to $150m this summer through an issue of global depositary receipts.

● Salomon Brothers International in London has lost the latest head of its equity syndicate desk, the second such departure in recent weeks.

Mr Jeremy Palmer is believed to have taken up a similar position with J.P. Morgan in London.

He has been replaced temporarily by Mr Alex Graham, who was brought in from Salomon in New York this week to fill the gap.

IADB agreement spurs prices of Argentina's debt

By Tracy Corrigan

PRICES in Argentine debt have rallied following the country's agreement on Tuesday for a debt reduction package with its international bank creditors. The accord was struck at the annual meeting of the Inter-American Development Bank in Santo Domingo.

Dealers also reported some profit-taking by investors who had taken positions ahead of an agreement. The market had firmed steadily in recent weeks, as expectations of an agreement mounted.

In the wake of the accord, Argentina's commercial bank debt rallied from 44 cents on the dollar to 45 cent, while its 11 per cent Eurobond issue due 1993 rallied from 102 to 104.

The agreement is set to reduce Argentina's funding costs and increase access to the international capital markets for private sector companies. Argentina returned to the international capital markets in September, when it launched a $300m two-year Eurobond at a yield spread of 510 basis points above the comparable US Treasury.

That deal has tightened dramatically to a spread of 290 basis points, the last 25 basis points in the wake of the agreement. Argentine Eurobonds are now almost as tight to US Treasuries as Venezuela's Eurobonds, which fell back after the country's failed political coup earlier this year.

According to dealers, the flow of bond issues from Argentina is set to increase, with deals for its two telephone companies, which recently completed equity offerings, believed to be among the next batch of issues.

The conversion of Argentina's commercial debt into Brady bonds under the agreement will "attract more international interest, pushing yields down further", according to Philip Harvey, a director of Morgan Grenfell.

In the next few weeks, dealers will start trading the Brady bonds on a when-issued basis.

"People are still digesting the news. Some will decide to take profits, and others will hold on for conversion into Brady bonds, hoping for further gains," said Mr Willem Naves, head of emerging markets at NMB Bank.

Deutsche Bank declares Heron issue in default

DEUTSCHE Bank yesterday declared Heron International Finance in default on a DM100m bond issue, AP-DJ reports from London.

Heron said the Deutsche Bank move was in line with action on Tuesday by Crédit Suisse to formally declare four SFr150m bonds issued by the company's finance-raising arm in default. Both banks lead the respective bond issues.

The default declarations also follow Heron's technical default on March 27 when it notified creditors it was suspending debt payments pending a restructuring of its £1.3bn in debts.

Heron, among Britain's largest private companies, is controlled by foundations established by Mr Gerald Ronson, the UK entrepreneur. It has asked creditor banks to extend payments over seven years while it moves to sell off investment properties.

The company, which took heavy losses on US investments, has not disclosed what portion of its debt it intends to restructure. However, it confirmed that the restructuring includes the £450m in bonds it issued in Swiss and French francs, D-Marks, and Ecus.

● Swiss Bank Corporation (Luxembourg) is issuing up to 20,000 protected equity participation units on registered shares in Sandoz, lead manager SBC Zurich said.

Italians snap up World Bank's Ecu200m offering

By Simon London

TWO NEW issues received positive response from investors in the international bond market yesterday, although syndicate officials were unwilling to predict an end to the current uncertain tone of the market.

The World Bank launched a Ecu200m 10-year floating-rate note issue, lead-managed by UBS Phillips and Drew. The paper pays ⅝ per cent less than the three-month London interbank offered rate (Libor), but was re-offered to investors at 99.85. At this level the discounted margin was 0.57 per cent under Libor.

The paper appealed to investors anxious to buy a floating-rate asset at a time of growing uncertainty over the future direction of interest rates. However, most of the bonds were snapped up by Italian investors, who pay no withholding tax on bonds issued by the World Bank and other supranational bodies of which Italy is a member.

The syndicate of banks selling the issue was half composed of Italian banks, with Credito Italiano joint lead manager. Italian syndicate officials said uncertainty following parliamentary elections in Italy this week, and persistent speculation about a revaluation of the lira within the European exchange rate mechanism, added to the attraction of a floating-rate investment denominated in a foreign currency.

Buying by Italian investors created a shortage of paper in the market. This was only partly relieved by a decision to increase the size of the transactions from Ecu150m to Ecu200m.

By the close of trading, the lead manager was quoting the bonds at 100.25 bid, well above the re-offer price.

Elsewhere, Toyota Credit Canada, a finance arm of the Japanese automotive company, launched a well-received C$125m five-year issue. The deal, lead-managed by Wood Gundy, was slightly smaller than many syndicate officials had expected, suggesting a cautious approach to the market following the poor performance of other Canadian dollar issues this week.

For example, Province of British Columbia's $300m five-year deal, launched on Monday at a yield spread of 54 basis points over Canadian government bonds, was yesterday trading on a yield spread of around 58 basis points.

The 9 per cent Toyota bonds were re-offered to investors at a fixed price of 99.50, where the yield is 48 basis points more than Canadian government paper. The borrower carries a triple-A credit rating, higher than British Columbia.

Participants in the deal reported good buying from retail and institutional investors hoping that the yield spread would tighten over time. Outstanding four-year bonds from the same borrower were yesterday trading in the secondary market at a yield spread of 25 basis points.

Buying was easily enough to support the modest size of yesterday's issue, and the launch yield spread held throughout the day despite a rally in the Canadian bond market.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
BBL (Cayman)(b)★★‡†	75	(b)	100	1997	47.5bp	Fuji Intl. Finance
Banco Real(c)†	70	9.50	99.10	1994	1.25/0.75	ABN Amro
ECUs						
World Bank(d)‡†	200	(d)	100	2002	33.75/25bp	UBS Phil.& Drew
CANADIAN DOLLARS						
Toyota Credit Canada(a)†	125	9	101.125	1997	1.875/1.625	Wood Gundy
FRENCH FRANCS						
Osiris (No.1)(e)‡†	884.1	(e)	100	1997	12.5bp	Paribas Cap.Mkts.Grp.
YEN						
Furukawa Electric Co(a)†	20bn	6	101.70	1996	1.625/1.325	Yamaichi Intl.
D-MARKS						
BP America(f)†	300	8.125	102.30	2002	2.5/1.5	CSFB Effectenbank
Bayer.Vereinsbk.Fin.(g)†	300	8.125	102	2002	2.5/1.5	Bayerische Vereinsbk.
Indl.Dev.Co.of S.Africa★★†	50	10	100	1997	1.625/1.25	Commerzbank

★★Private placement. §Convertible. #With equity warrants. ‡Floating rate note. †Final terms.a) Non-callable. b) Coupon pays 42.5bp above 6-month Libor and payable semi-annually. Non-callable. c) Coupon payable semi-annually. Non-callable. d) Coupon pays 62.5bp below 3-month Libor. Callable at par from April 1997. e) Coupon pays 25bp above 3-month Pibor. f) Amount increased from DM200m. g) Subordinated issue. Non-callable.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 5:05 pm on April 8

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105¾	106	+¼	6.52
ALBERTA PROVINCE 9 3/8 95	600	108	108¼	+¼	6.74
AUSTRIA 8 1/2 00	400	104⅞	105¼	+¼	7.64
BANK OF TOKYO 8 3/8 96	100	103¾	104	+¼	7.33
BELGIUM 9 5/8 98	250	107⅞	110⅛	+¼	7.60
BFCE 7 3/4 97	150	102⅝	102⅞	+¼	7.15
BNP 8 5/8 94	300	105⅝	106⅛	+¼	5.82
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94½	95½		9.63
COPENHAGEN TEL 8 5/8 96 LFr	600	98	99	-⅛	9.26
WORLD BANK 8 96 LFr	1000	97	98		8.91
ALBERTA PROVINCE 10 5/8 96 C$	500	104	104½		9.32
BELL CANADA 10 5/8 99 C$	150	104¼	104¾		9.76
BRITISH COLUMBIA 10 96 C$	500	102	102½	-⅛	9.38
EIB 10 1/8 98 C$	130	103¼	103¼	+⅛	9.38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	75	0	4
Other Fixed Interest	12	0	5
Commercial, Industrial	148	418	900
Financial & Property	35	322	435
Oil & Gas	4	25	59
Plantations	0	3	6
Mines	2	62	83
Others	5	51	89
Totals	281	881	1,581

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+ or -
12	Nil	28/4	½pm	½pm	Addison Consultancy	½pm	
605	Nil	8/5	120pm	64pm	Bowater	85pm	+16
85	Nil	21/4	1½pm	1¼pm	Courtney Pope	1¼pm	
40	Nil	-	1¼pm	1¼pm	PFG Hodgson	1¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, [illegible]

LONDON RECENT ISSUES

EQUITIES: [illegible]

FIXED INTEREST STOCKS

[illegible]

TRADITIONAL OPTIONS

● First Dealings March 30
● Last Dealings April 10
● Last Declarations July 9
● For settlement July 20

3-month call rate indications are shown on this page.
Calls in: AMEC, ASDA, Aviva, Berisford, Cabra Estates, Eastern Elect., Ferranti, Hazlewood, NORWEB and Psion.

LONDON TRADED OPTIONS

Option		Calls Apr	Calls Jul	Calls Sep	Puts Apr	Puts Jul	Puts Sep
Alld Lyons (*574)	500	82	85	100	1	6½	10
	550	34	47	65	5	18	25
	600	8	21	38	30	47	50
ASDA (*29½)	25	7	9	10	1	3	4
	30	3	5½	6½	2½	5	6½
	34	1½	-	-	5½	-	-
Brit. Airways (*241)	220	24	30	38	2½	9½	13
	240	8	17	27	7	19	23
	260	2½	9	18	21	32	35
[illegible]							

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
BAA (*547)	500	55	66	80	4	12	16½
	550	21	35	51	20	31	36
	600	6	16	30	55	65	67
BAT Inds (*665)	600	75	90	95	4	11	19
	650	39	53	63	13	27	37
	700	12	28	38	41	54	65
BTR (*415)	390	32	44	48	5	8½	13
	420	13	24	31	16	22	28
Brit. Telecom	300	17	25	28	8	14	16
[illegible]							

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Glaxo (*746)	725	64	-	-	29	-	-
	750	51	73	92	40	57	69
Hillsdown (*163)	160	10	14	18	10	13	15
	180	3½	6½	9½	25	26	28
Lonrho (*81½)	80	13	18	24	12	15	20
	90	8½	16	21	17	24	26
[illegible]							

[illegible]

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS		Charter Cons.	37	Ladbroke	17	Sears	8	■ OILS	
Allied-Lyons	48	Comm Union	32	Legal & Gen	22	SmKl Bchm A	65	Aviva Pet	30
Amstrad	1½	Courtaulds	39	Lex Service	4	TI	19	BP	21
Astec (BSR)	3	Eurotunnel	34	Lloyds Bank	29	TSB	9½	Burmah Castrol	38
BAT Inds	50	FKI	5½	Lonrho	15	Tesco	19	Conroy Pet	8
BOC	49	FNFC	8	Lucas Inds	10½	Thorn EMI	58	Gaelic Res	½
BTR	32	Forte	15	Marks Spencer	24	T & N	11½	Premier Cons	2½
Barclays	30	GKN	26	Midland Bank	18	Unilever	70	Shell	33
Blue Circle	20	Gen Accident	31	NatWest Bank	23	Vickers	12	Tuskar Res	½
Boots	33	GEC	15	P & O Dfd	30	Wellcome	72	■ MINES	
Bowater	58	Glaxo	59	Racal Elect	5	■ PROPERTY		RTZ	42
Brit Aerospace	30	Grand Met	70	RHM	16	Brit Land	18		
British Steel	6	GRE	10	Rank Org	52	Land Sec.	32		
Brit Telecom	24	Hanson	16	Ratners	3	MEPC	26		
Cadburys	33	ICI	90	Reed Intl	39	Mountleigh	1½		

Queens Moat below City forecasts

By Michael Skapinker, Leisure Industries Correspondent

John Bairstow: good performance from continental hotels

QUEENS MOAT Houses, the hotels group, announced full-year pre-tax profits down 3.9 per cent to £90.4m, slightly below market expectations, and warned that there was no sign of a sustained recovery in its UK business.

A better performance on the Continent, where the company has 86 of its 190 hotels, helped raise profit before rent and interest to £157m for the year to end-December against £142m in 1990. Profits at the pre-tax level were dragged down by an increased interest charge of £56.8m (£43.1m) and higher rent of £9.64m (£5.19m). Turnover was £543m (£485m).

Despite a fall in fully-diluted earnings per share to 7.58p (8.59p), a proposed final dividend of 1.54p raises the total to 2.882p (2.62p).

Mr John Bairstow, chairman, said: "In more normal times we would have no hesitation in anticipating a year of strong growth, especially with the extremely good start to 1992 in our continental hotels. However, in the face of the economic uncertainties, particularly in the UK, such optimism would be misplaced."

He added: "It is reasonable for shareholders to expect a satisfactory outcome in 1992 and a resumption of growth thereafter."

Mr Bairstow said the continental hotels accounted for 42 per cent of profits before interest and rent. Profits in Germany, where the group has 36 hotels, and in the Netherlands, where it has 26, increased by 20 per cent. The group had seen no evidence of a slowdown in Germany, where its hotels cater almost exclusively for business travellers.

The UK business was shielded to some extent by the small number of hotels the group has in London, where occupancies have fallen more sharply than in the rest of the country. Mr Bairstow said the three London hotels had been worse hit than those in the Midlands and the north of England.

"The flickers of improvement we have seen have been in those regions rather than in London and the south east," Mr Bairstow said.

● Queens Moat also said it was making a recommended £6.9m cash offer for the shares it does not already own in Chester International Hotel, a four-star 152-room property near Chester city centre. Queens Moat manages the hotel and has a 28 per cent fully diluted stake in it. Queens Moat and Chester International have some directors in common and certain Queens Moat directors and their families hold 2.9 per cent of Chester's ordinary shares. Queens Moat said it had been advised on the deal by Chester's independent directors and Charterhouse. It said Charterhouse would make the offer on its behalf.

See Lex

MTM agrees short-term facilities with bankers

By Paul Abrahams

MTM, the speciality chemicals group, yesterday announced that it had concluded a short-term agreement with its bankers following its breach of covenants.

The group said the new facilities were for an initial period until April 30.

Negotiations with two syndicates led by Chase Manhattan of the US and Standard Chartered, the international UK-based bank, were continuing with a view to securing the group's longer-term funding, said MTM.

The company is believed to have debts of about £70m. Standard Chartered has said its exposure to MTM's debt is minimal. The largest shareholder in MTM last week was Midland Bank which held 6.79 per cent of the shares. Schroder Investment Management held 6.51 per cent, while Gartmore Investment Management held 6.14 per cent.

The group, which has said it will probably not pay a final dividend for the year to December 31, has not yet given the date for publication of its full-year accounts.

So far, BDO Binder Hamlyn, its auditors, have refused to sign off the accounts because of disagreements about asset values.

The accountants have been asked to prepare a report on the reasons and circumstances surrounding the shortfall in profits that triggered its present crisis.

Postern Executive Group, the corporate management specialist, has also been appointed to evaluate the group's financial and operational position. It will recommend options for MTM's future strategic development. The shares closed up 3p at 28p.

NatWest Bancorp returns to black with $16m in first quarter

By Robert Peston

NATIONAL Westminster Bancorp, the US subsidiary of the UK's National Westminster Bank, returned to profit in the first three months of 1991. This was the first quarterly profit it has made in two years.

Profit after tax but before extraordinary items was $16m (£9.3m), compared with a $191m loss in the first three months of 1991. The progress was due principally to a fall to $30.5m ($222m) in provisions for losses on loans.

Mr John Tugwell, who took over a year ago as chairman of NatWest Bancorp, said: "Things are looking a little more rosy." He added that in underlying terms the US bank was making an 8 per cent annualised return on its equity, which compares with a target rate of 15 per cent. He hopes to reach that target rate in the next couple of years.

It is understood that NatWest will review whether it wishes to continue owning the US bank when it is confident that the subsidiary is earning respectable profits again.

NatWest Bancorp has been hurt particularly by the slump in the property market in the north-east of the US, where most of its operations are based.

Mr Tugwell said that the rate at which customers were getting into difficulties had been declining rapidly.

There has been a slight fall to $1.14bn ($1.15bn at the end of 1991) in the volume of loans classified as non-performing according to standards set by US banking regulators.

In addition, the bank is managing properties and other assets worth $337m, down from $354m at the end of 1991, which it has taken under its control from borrowers in severe difficulties.

Mr Tugwell said he has been making significant progress in reducing the costs of managing these foreclosed properties. He has, for example, negotiated discounts on the costs of insuring buildings and of hiring security guards.

Stock Exchange launches probe into Owners Abroad share deals

By Christopher Price and Michael Skapinker

THE STOCK Exchange yesterday launched an inquiry into share dealings of Owners Abroad, the UK's second biggest tour operator.

The probe is believed to centre on two issues: the dramatic fall in the Owners share price in the past month – it has collapsed 37 per cent in that period; and the sale of 690,000 shares by Mr Howard Klein, chairman, to the company's employee share option plan.

While there is no suggestion that the latter transaction was in any way illegal, the sale on March 31 was followed by a further slump in the share price.

Mr Klein yesterday denied there was anything improper in the share sale. "I had made it known to UBS Phillips & Drew, the company's broker, many months ago that I needed to dispose of the shares for personal reasons. Phillips & Drew were consulted on the basis of the sale of my shares to the Esop and they advised that it was perfectly in order."

On the day that Mr Klein sold the shares to the Esop at 108p, the price closed at 105p, to be followed over the next week by a rapid decline. Owners lent the Esop the money to complete the transaction. Yesterday, the shares finished ½p down at 89p in busy trading.

It is the second inquiry in as many weeks into the holiday group. The first, which is still believed to be under way, is investigating anonymous notes sent to national newspapers and company employees that Owners was about to be taken over by Airtours, its rival tour group. Both companies have denied the story.

Yesterday's move by the authorities came only a day after Owners published its reports and accounts for 1991, which caused considerable consternation in the market. Analysts drew attention to the company's depreciation policy, particularly on the treatment of one of its leased aircraft.

Costain plans to continue debt reduction

By Jane Fuller

ONE OF Costain Group's main messages yesterday, after announcing a £69.2m pre-tax loss for 1991, was the progress made on reducing debt.

Before last April's £77m rights issue, at 155p a share, net debt reached £372m, gearing of well over 100 per cent. Thanks to that issue and the £101m disposal of the investment property portfolio, year-end gearing came down to 53 per cent on net debt of £168m.

This excludes £52m of off-balance sheet debt in the Spitalfields development on the fringe of the City, and £38m of convertible preference shares.

Mr Peter Costain, chief executive, said the group planned to reduce borrowings further this year, again by disposals as cash flow was expected to be neutral.

With the business now concentrating on engineering and construction and on mining, candidates for sale included non-coal mining activities in the US and properties in Australia.

The group has been struggling to reduce borrowings since the £124m purchase of Pyro Energy, a US coal mining concern, in mid-1989. Gearing went up from 25 per cent to 75 per cent as a result.

Not long after the purchase, an explosion at a Kentucky mine killed 10 people and closed the pit for 14 weeks. Productivity was badly affected and Mr Costain admitted that the return so far on the investment was disappointing.

After that acquisition, the group missed its gearing reduction targets and by the end of 1990 the ratio stood at about 100 per cent. Since then £255m has been cut from borrowings.

The period has coincided with disappointments on the housing and commercial property fronts. In 1988 the group sold nearly 1,900 houses. Last year it sold 400.

The core engineering and construction business showed some resilience last year, making an operating profit of £24.6m (£32.9m), after £12m of provisions against the Channel tunnel contract. Turnover slipped to £979m (£1.07bn).

Mr Costain said the international contracting workload had doubled, cushioning the effects of UK recession.

Mining, which saw profits fall from £44.1m to £33.6m, should improve, he said.

Downturn continues as Brammer slips to £9.2m

By Peggy Hollinger

BRAMMER, the ball bearing distributor and electronic services group, yesterday reported its third consecutive year of declining profits with a pre-tax return of £9.2m for 1991.

The result, which disappointed analysts who had expected £10m, compared with £11.4m in 1990. Turnover fell from £122.5m to £111.5m.

Mr Hugh Lang, chairman, defended the results, saying they were creditable compared to many of Brammer's competitors. The group ended the year with a strong balance sheet, carrying net cash of £3.8m.

BSL – the leading UK distributor of ball bearings and power transmission products – suffered a 9 per cent decline in turnover to £91m and a 22 per cent fall in profits to £8.1m. Gross margins had been maintained, however, Mr Lang said.

The group planned to expand this business into continental Europe. Mr Robert Ffoulkes-Jones, chief executive, said talks were in progress with several companies.

The equipment rental business, which focuses on environmental monitoring and computer devices, saw sales decline by 10 per cent to £20.4m, with profits down by 24 per cent to £1.5m. A break-even result in France, and the exceptional charge of £382,000 for relocating the French business, offset the profitable return in the UK.

The Italian rental subsidiary was closed, incurring a £718,000 extraordinary charge.

Earnings fell to 14.7p (17.5p). The final dividend is held at 8.5p, making 13p.

Bodycote rises to £11.5m despite setback in sales

A SHARP fall in interest charges helped profits at Bodycote International, the metal technology group, rise by almost £1m to £11.5m last year despite a 12 per cent fall in sales, writes Peggy Hollinger.

Mr John Chesworth, joint managing director, said the proceeds of selling Skelmersdale Packaging in December 1990 had reduced interest charges by £1.1m to £36,000. Gearing was cut from about 28 per cent to less than 5 per cent.

The Skelmersdale disposal accounted for the fall in turnover from £75.5m to £66.5m for the year to December 31.

The group closed Brocklehurst Fabrics, the last of its traditional textile businesses, resulting in a charge of £797,000 taken below the line.

The bulk of Bodycote's business is in metal treatment, first ventured into in 1979, for industries such as aerospace and automotive. Operating profits in the metal technology division moved ahead by 12 per cent to £6.6m despite a setback in the aerospace industry following the Gulf war.

Mr Chesworth said that current trading in these businesses was encouraging. The motor trade was not getting any worse, he said, while 90 per cent of Bodycote's aerospace exposure was in the civil sector.

Elsewhere, the workwear rental business produced record profits of £2.6m, up 20 per cent.

Industrial and general operations, which include the packaging arm, saw a 22 per cent fall in profits to £2.9m, following the Skelmersdale sale.

Growth in earnings per share was hampered by the £3.5m placing of 1m shares in April. Earnings rose from 27.1p to 27.8p.

An increase in the final dividend to 5.75p is proposed for a total of 9.25p (8.75p).

Immunology seeks US funds

Immunology Limited of Cambridge is to be the first UK biotechnology company to make an initial public offering in the US, writes Clive Cookson.

It hopes to raise at least $20m (£11.6m).

It has filed a registration statement with the Securities and Exchange Commission to offer 2m shares in American Depositary Shares, at between $10 and $12 each.

The company is changing its name to Cantab Pharmaceuticals, to reflect its origins in biomedical research at Cambridge University and its current location in Cambridge Science Park. The old name was thought to be confusing because many companies and university departments use some form of the word "immunology" in their titles.

The offering represents a little less than 30 per cent of Cantab's share capital, valuing the company at about $70m. The shares should start trading on Nasdaq in May.

Interest gain helps Proudfoot edge ahead to 'pleasing' £48m

By Angus Foster

ALEXANDER PROUDFOOT, the management consultancy and staff training group, yesterday announced a slight increase in profits in spite of difficult conditions in its important North American market.

The company reported pre-tax profits of £48m (£46m) in the year to December 31, in line with expectations and aided by higher interest gains.

Mr Neil Hamilton, finance director, said the results were "very pleasing". Proudfoot's order book is about 10 per cent higher than a year ago. "We are very well positioned as the economies of the world develop," he said. Turnover slipped slightly to £176.4m (£178.5m), mainly due to a decline in North America, where turnover fell to £58.8m (£66.8m).

North America's share of total turnover slipped to 33 per cent (37 per cent).

Operating profits fell to £44.2m (£45.2m). But net interest receivable rose to £3.78m (£858,000) mainly due to lower servicing costs for the company's near-£30m debt, which is largely dollar denominated. The company held net cash of £24.4m at the year-end.

Last April's sale of BAS, the debt collection subsidiary, raised an extraordinary profit of £2.09m.

Fully diluted earnings increased 4.8 per cent to 45.5p (43.4p). The directors recommended a final dividend of 13.5p to make a total of 19.5p (19p).

Indevo, the Scandinavian consultancy acquired last September for £12m cash, made a small undisclosed contribution. Mr Hamilton said Indevo would start to perform in the second half of this year and its margins, of about 8 per cent, could be improved.

● COMMENT

Maintaining margins around 27 per cent through a recession, as Proudfoot has managed to do, is no mean feat, even if it does prompt some clients to start asking questions. Nevertheless, Proudfoot's cautious statement about the outlook was sensible, even if such circumspection worried the market slightly. The US is not convincingly out of recession, nor are the company's main European markets of the UK, France and Germany easy to call.

First-half profits are likely to be depressed by investment in new products and translation costs for existing course material, even though turnover will be lifted by a full contribution from Indevo. Full-year forecasts of £50m-£51m put the shares on a multiple of less than 8 with an attractive 7 per cent yield.

They are worth holding, but potential buyers may prefer to wait until the interim stage to assess how quickly any upturn is coming through.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Blockleys	fin	1.43	July 1	2.86	3.38	4.81
Bodycote Intl	fin	5.75†	July 1	5.5	9.25	8.75
Brammer	fin	8.5	July 1	8.5	13	13
Clayform Props	fin	nil	-	-	nil	2
Cooper (Fred)	int	1.5	July 3	1.5	-	4
Costain	fin	nil	-	7.5	4.75†	12.25
CSC Inv Trust	fin	3	May 29	3	5	7.2
Independent News	fin	9♣	May 20	8.5	14	13
Magnolia	fin	3.85	-	3.85	5.4	5.4
Melville	int	nil	-	1.6	-	3.2
Ocean	fin	0.62	June 1	9.53	14.33†	14.2
Proudfoot (Alex)	fin	13.5	-	13	19.5	19
Queens Moat	fin	1.54	May 28	1.4	2.882†	2.62
Richards Group	fin	2.75	June 10	2.75	4.4	4.4
Stylo	fin	2.5	Oct 1	9	2.5	9
Sykes-Pickavant§	fin	3.5	July 2	3.5	5.75	5.75

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish pence.

COMPANY NEWS: UK

Acquisitions help Ocean to £51m

By Richard Gourlay

OCEAN GROUP, the marine freight and environmental services conglomerate, yesterday revealed a 6 per cent increase in 1991 profits helped by acquisitions and a lower interest charge following last year's rights issue.

Pre-tax profits rose from £48m to £51m on sales up 22 per cent at £1.35bn.

Stronger performances in the freight and distribution and marine divisions were offset by a halving of the contribution from environmental services.

Earnings after the £88m rights issue fell to 24.6p (27p) and a final dividend of 9.62p makes a 14.33p (14.2p) total.

Mr Nicholas Barber, chief executive, said organically the group grew 5 per cent.

The group took market share to expand freight and distribution division operating profits by 7 per cent to £23m despite City fears that this was a prime candidate to be hit in recession.

Operating profits at MSAS, the freight forwarding company, and at McGregor Cory, the storage and distribution company, rose 15 per cent and 25 per cent respectively.

In the marine services division, profits grew 20 per cent to £30.9m, a result that was unlikely to be repeated this year as cash flow constraints hit exploration, Mr Barber said.

Gearing at year-end had fallen to 10 per cent, compared to 50 per cent in December 1990, and Mr Barber expected the level to be about 20 per cent by the end of 1992 assuming a capital spend broadly unchanged at about £50 to £70m.

Nicholas Barber: organically, the group grew 5 per cent

COMMENT

One might not choose to be in freight forwarding and energy related businesses with recession stalking the OECD countries and oil prices languishing below $20. Yet Ocean has been remarkably resilient, a credit to the management that has turned the old asset-heavy Ocean Transport & Trading into a leaner mini-conglomerate. The turn down in North Sea activity since September will not help but Ocean has locked in 60 per cent of 1992 offshore revenue with long term charters and is anyway well positioned in more profitable locations like south-east Asia. On the distribution side, McGregor Cory's new sites should benefit the group just when freight forwarding's growth through increased market share might be expected to be petering out. Nevertheless, in the absence of a dramatically higher oil price and OECD growth rate, Ocean is unlikely to excite. Analysts estimate pre-tax profits this year only marginally higher at £54m, giving earnings of 24.5p and a fully priced prospective multiple of 13.

Martin Currie to take over PHIT

By Philip Coggan, Personal Finance Editor

MARTIN CURRIE Pacific has agreed to take over fellow investment trust Pacific Horizon in an all-share deal.

The takeover comes one month after a merger between CST Emerging Asia Trust and Pacific Horizon broke down. CST's board then said that "the value realisable by CST's shareholders as a result of the proposals was uncertain" and that "PHIT's portfolio and performance, in terms of the decline in net assets per share since launch, provided no grounds for selecting PHIT as a merger partner."

However, Mr Michael Kennedy, of Martin Currie, said the takeover took account of the uncertain element of Pacific Horizon's portfolio.

About 11 per cent of the portfolio, consisting of investments in illiquid closed end funds, was being excluded from the terms of the offer. These holdings will be sold separately and the proceeds distributed to Pacific Horizon shareholders.

Martin Currie Pacific will offer shares at 92 per cent of the formula asset value (FAV) of the rest of Pacific Horizon's portfolio; this offer will be increased to 93 per cent of FAV if warrant holders approve the deal.

Some 53 per cent of Pacific Horizon shareholders have agreed to accept the offer, which is recommended by the PHIT board.

Pacific Horizon, which is managed by Jupiter Tyndall, was launched in 1989 out of the ashes of the Australia Investment Trust.

Shares in the trust were initially offered at 50p; they closed yesterday at 35p, up 2p on the day.

Cadbury Schweppes gets German sweet foothold

By Guy de Jonquières, Consumer Industries Editor

Cadbury Schweppes is to acquire a foothold in the German confectionery market with the cash purchase of 70 per cent of Piasten Schokoladenfabrik Hoffmann, a privately-owned Bavarian chocolate and sweets manufacturer.

No price was disclosed. Cadbury said its planned holding had a net book value of DM3.5m (£1.23m) and would contribute 2p per share to its earnings next year. The balance sheet impact of the deal was negligible.

Piasten, which has 439 employees and its own sales force, had sales of DM126.1m in the year to June and is said to be profitable.

It is a leader in the German boxed chocolate assortment market and also sells chocolate liqueurs and bars, chocolate covered sweets and sugar confectionery.

Cadbury said the deal would allow it to introduce some of its confectionery products in Germany and provided low-risk access to central and eastern European markets, particularly Poland. Piasten products might also be sold through Cadbury's operations in other parts of Europe.

The deal, which is subject to approval by the Federal Cartel Office, gives Cadbury an option to buy the remaining shares in Piasten at a price based on the partial acquisition terms.

No date set for GPG return

By Nigel Clark

THE DATE of GPG's return from suspension is still not known. When questioned at yesterday's annual meeting, Sir Ron Brierley, chairman of the investment vehicle, said that the company was still in discussions with the Stock Exchange.

An announcement would be made when appropriate. He added that he hoped it would not be too long as the circumstances in which the company had been suspended no longer applied.

Sir Ron refused to appoint non-executive directors and faced strong questioning about the choice of preparing the accounts under the Financial Reporting Exposure Draft 1, which has not yet been adopted.

The call for non-executives was made in connection with a share option scheme for directors and management. Sir Ron said he was a non-executive director and also thought that the existing management should be able to take responsibility for the scheme, under which he would benefit.

The choice of the new draft was made, according to Sir Ron, because it was topical when the accounts were produced and he thought it would be adopted in the near future. He added: "I feel that it is a very good and simple concept which provides a realistic picture of the company."

Under the new draft earnings per share came out 3.38p, whereas the present rules earnings would have been 1.58p.

GPG's shares have been suspended at 28p in London since December 1990 when it was considered to be a shell.

GPG is making a hostile bid with Brierley Investments, in which Sir Ron has a 2 per cent holding, for Australian Consolidated Investments, the former Bell Resources.

Cairn £28m deficit after write-downs

By Deborah Hargreaves

Cairn Energy, the oil and gas explorer, surprised the City with pre-tax losses of £27.6m for 1991 after a substantial exceptional write-down which almost halved the value of balance sheet assets. The losses compared with £334,000 in 1990.

Mr Bill Gammell, chief executive, said the decision to make a £24.5m write-down reflected a "greater degree of realism" across the oil industry.

The write-down partly covers gas-producing assets in the US and some of the company's stakes in North Sea oilfields.

The company would have made a profit of £1.2m last year if it had continued with its previous policy on depletion charges, but Mr Gammell said he did not want the charge to dominate the profit and loss account in future.

Other independent oil companies, including Lasmo, Clyde, and Aran, have made accounting changes which depressed profits in 1991. The oil sector is currently coming under extreme pressure from low oil prices and a weak dollar.

Cairn's write-down leaves its oil and gas assets on the balance sheet at £31.8m against shareholders' funds of £19m.

Turnover increased to £12.3m (£9.95m) but losses per share plummeted to 113.7p (1.5p). Production increased to 1,708 (1,535) barrels of oil a day and 15.5m (14.7m) cu ft of gas a day.

Static year for George Weston

George Weston Foods, the Sydney-based food company controlled by Associated British Foods, returned static profits for the year to January, writes Bruce Jacques in Sydney.

Net profits were steady at A$49.3m (£21.5m) on a small sales gain to A$939.6m. The annual dividend is held at 14 cents with a same-again 9.5 cents final.

Poor market conditions prevented the company from reaping the rewards of cost cutting during the year. The Queensland bread operations suffered significant losses and overall bakeries results were hit by higher wheat prices and a consumer move to downmarket brands.

Trading margins had not improved so far in the current year.

Frederick Cooper shows 14% decline to £1.96m

By Paul Cheeseright, Midlands Correspondent

PROFITS OF Frederick Cooper, the West Midlands-based architectural hardware, specialist coatings and electrical products group, fell by 14 per cent from £2.29m to £1.96m pre-tax for the six months to January 31.

However, the interim dividend is maintained at 1.5p from lower fully diluted earnings of 2.8p per share against 3.2p.

Mr Eddie Kirk, chairman, said trading conditions during the second half had weakened . . . "and, as yet, there are no signs of recovery in our markets."

Turnover was relatively static at £41.4m but profits were bolstered by an exceptional credit of £312,000, representing the net contribution of a pension surplus of £400,000 and proceeds from a property disposal offset by rationalisation costs.

During the period, specialist coatings sold at record levels – largely because of the German market.

However, architectural hardware sales, held back by the weakness of the UK construction industry, slipped by 7 per cent and the electrical products division fell into loss.

So far in the second six months the electrical products division has moved back to profit, but February and March were poor for architectural hardware, which now accounts for 60 per cent of group turnover.

Overseas side behind 20% fall at Independent News

By Tim Coone in Dublin

INDEPENDENT Newspapers, the Irish newspaper and publishing group, yesterday reported a 20 per cent drop in pre-tax profits, from I£9.99m to I£7.97m (£7.45m), for the year to December 27.

Turnover of the group's worldwide operations was marginally up at I£155.8m (I£154.9m). Exceptional costs amounting to I£3.37m related to redundancies and the unsuccessful bid for Australia's John Fairfax newspaper group accentuated the profits fall from the company's overseas markets.

However, Mr Liam Healy, group chief executive, said that growth in advertising and circulation revenues in the home market helped the domestic operations increase profitability. Turnover in Ireland totalled I£120m, giving operating profits of I£13.5m. The overseas arms made I£2.6m on turnover of I£35m.

Net interest charges were halved to I£2.53m (I£5.11m) after debt was reduced to I£8.8m (I£47.6m) at the year-end. The cut in debt was largely due to the raising last April of I£30m in a convertible capital bond and the repayment of an A$20m loan, relating to the investment in Australian Provincial Newspapers.

Earnings per share declined to 18.8p (23.77p). A final dividend of 9p (8.5p) is recommended, for a total of 14p (13p).

Following the failure of its Fairfax bid, Independent is now interested in taking a stake in Mirror Group Newspapers. "If shares were put up for sale by the administrator, we would take a look," said Mr Healy.

NEWS DIGEST

Stylo shares dive 30p on £9m deficit

LOSSES AT Stylo, the footwear manufacturer and retailer, continued to build up through the second half and for the year to February 1 totalled £9.06m at the pre-tax level.

The deficit, which compared with sharply reduced profits of £1.67m for the previous year, was incurred from turnover of £91.9m (£87.5m).

Losses per share emerged at 42p (4.07p earnings) and the annual dividend is cut to 2.5p (9p). The shares fell 30p to 143p.

Mr Arnold Ziff, chairman, blamed the loss on a number of factors, including the increase in VAT.

He explained that as all of the company's shoes for the summer and autumn seasons had already been purchased and because of competitive pressures it was unable to pass the rise on to customers.

As a consequence, gross margins suffered. Other factors included wages, rents, overbuying and inadequate cost controls.

Mr Ziff said a number of management changes had been made and "I trust that most of the mistakes of our own making will now be eliminated".

Hall Engineering sells site to Safeway

Hall Engineering has conditionally agreed to sell to Safeway 7.2 acres of its 35 acre site in Stafford, formerly occupied by its BRC subsidiary.

Consideration is £6.06m, of which £25,000 has been paid as a non-returnable deposit, with the balance due on completion.

Under the agreement Safeway has 2½ years to obtain planning permission for a retail foodstore.

Modest net asset value rise at CSC

The net asset value of CSC Investment Trust was 108.42p at December 31, a rise a 4.3 per cent over the year.

Net revenue amounted to £84,706 (£87,272), equal to earnings of 5.15p (5.31p) per share. A recommended final dividend of 3p brings the total for the year to 5p (7.2p).

Operating margins down at Blockleys

Blockleys, the Shropshire-based brick and pavior manufacturer, suffered a £2.23m downturn in profits to £1.06m pre-tax for the 1991 year.

The 68 per cent decline came from turnover 28 per cent lower at £10.3m. Operating margins fell from 30.9 per cent to 21.4 per cent.

The policy of selling its products at full list price caused increased stock levels during the year and in May, output was reduced by the adjustment of shift working at one factory.

Directors said that planned output for 1992 was geared to the projected sales level for the year and no further significant stock increases or reductions in output were envisaged.

Earnings of 2.48p per share compared with 9.16p previously. The final dividend is halved to 1.43p making a 3.38p (4.81p) total.

Publishing behind fall at Magnolia

Magnolia Group, the Southend-based picture frame moulding and publishing company, saw pre-tax profits dive from £1.05m to £401,000 over the 1991 year.

The outcome – struck after exceptional restructuring costs of £101,000 (£106,000) – came on turnover down to £21.8m (£23.5m).

Mr Kurt Scharf, chairman, said the recession had severely affected the whole range of the group's customers, particularly in the publishing division. Gross margins held up well, however, in the moulding wholesale business.

Interest charges took £304,000 (£312,000). Gearing at the year-end was cut by 1 percentage point to 17 per cent.

Earnings per share declined from 11.16p to 4.65p, but the total dividend is maintained at 5.4p with a same-again final of 3.65p.

Shepherd Neame adds to pub estate

Whitbread has leased 60 pubs in south-east England to Shepherd Neame, the independent Kent brewer.

The deal increases the size of Shepherd Neame's estate to 375 pubs. During the past two years it has bought a total of 54 pubs from Allied-Lyons, Bass, and Courage.

Sterling Trust down to £3.36m

Sterling Trust, the USM-quoted second mortgage company, returned profits of £3.36m pre-tax for 1991, a 49 per cent fall from last time's £6.6m.

The 1990 figure, however, included £3.8m profit on investment activities. In December of that year the company repaid shareholders £32m in cash.

Turnover amounted to £18.8m (£23.1m). Interest charges were cut to £9.44m (£11m) and tax took £1.53m less at £1.09m.

Earnings emerged at 10.7p (7.8p). There is no final dividend as a second interim of 3p was paid in January making 5p for the year. For 1990 shareholders received 10p, including a 6p special payment.

Sykes-Pickavant suffers further fall

Sykes-Pickavant Group, the USM-quoted manufacturer and distributor of automotive, industrial and DIY tools, saw a further decline in profits in 1991 following a 25 per cent fall in 1990.

The 39 per cent setback this time to £731,000 (£1.19m) pre-tax came on turnover virtually unchanged at £18.2m.

Directors said that the results had been particularly affected by the state of the motor industry.

Earnings per share emerged at 5.25p against 8.33p but the total dividend is held at 5.75p with a proposed maintained final of 3.5p.

Richards declines 30% to £1.02m

Pre-tax profits of Richards Group, the specialist engineer, fell by 30 per cent, from £1.46m to £1.02m, in the year to December 31.

Mr Peter Hodgson, chairman, said the results represented a considerable achievement by the principal Steel Support Systems subsidiary.

Turnover amounted to £13.1m against £19.2m which included turnover relating to businesses disposed of during 1990.

Earnings per share dropped to 9.18p (12.01p) and an unchanged final dividend of 2.75p is proposed to maintain the total at 4.4p.

Countryside Props development sold

Countryside Properties, the commercial, residential and industrial property developer and investor, has forward sold its 74,300 sq ft office development at Chatham Maritime, Kent, to Laser Richmount Enterprise Zone Property Trusts for £16.2m.

The scheme shows a net initial yield of 7 per cent and a post-tax yield of 11.02 per cent with a leaseback of up to 27 years to Countryside until individual buildings are let.

Black & Edgington reduces losses

Black & Edgington Group, a manufacturer and supplier of tubular steelwork, announced reduced losses, from £5.78m to £1.96m pre-tax, for the six months to January 31.

Mr David Gordon, chairman, pointed out that the group traditionally incurred a loss in the first half.

Turnover of this USM-quoted group, which changed its name from Tubular Edgington in January, was £2.88m (£4.77m) and losses per share worked through at 0.4p (8.1p).

Unilver sells animal feeds business

Unilever has agreed to sell Paul & Vincent, its Irish animal feed business, to Southern Milling for an undisclosed sum.

The company employs some 80 people in the manufacture and marketing of animal and fish feeds. It has two mills, at Edgeworthstown and at Kilmallock; sales in 1991 were approximately I£20m (£18m).

Ossory joint venture makes £22m buy

Ossory Estates has bought the long lease on Hartlepool's main shopping centre for £21m from Hartlepool Borough Council.

It has been sold on to a joint venture, 25 per cent owned by Ossory, for £22m.

SA gold mining strives to retain its glister

Philip Gawith finds a mood of grim determination pervading an industry in distress

THE RELEASE of the March quarterly results of the South African gold mining industry, which commences today, will reveal a picture of an industry under considerable stress, fighting bravely to stay afloat.

Mr Gary Maude, managing director of the Gengold group, characterises the mood as "grim determination". He adds: "People are really determined to find some way of preserving their livelihood."

The source of the industry's problems is familiar: revenues have been flat, while costs have escalated sharply. To be more precise, the average annual Rand gold price during the period 1988-91 stayed within the very narrow range of R992-R1,000 a troy ounce. During the same period, inflation averaged 15 per cent. The crutches that the industry used to be able to rely on – a buoyant gold price in times of uncertainty, or a weakening rand – have both been removed.

Indeed, the prospect of the state assisting the industry by allowing the rand to depreciate is very remote. Although gold is still very important as a foreign exchange earner – 30 per cent of total exports, by value, in 1991 – and as a source of employment, its influence is otherwise on the wane. Its contribution to gross domestic product has slipped to less than eight per cent, and it only contributed one per cent of state revenues in the 1991-92 fiscal year, compared with 9.6 per cent in 1982-83.

The state could help enormously by bringing down the inflation rate, the industry's single greatest problem. Few economists believe, however, that South Africa can expect much better than high single digit inflation in the foreseeable future.

For all the industry's difficulties, it must be remembered that even at the current weak gold price of R1,000 an ounce, or R32,000 a kilogram, only a small portion of the industry is actually at risk, though all feel the squeeze.

Chamber of Mines figures indicate that mines that are making a working loss at the present price account for roughly 15 per cent of gold mine employment and 12 per cent of total production.

Superficially, the industry appears to be in reasonable health. Total gold production has been virtually constant for the past three years at 600 tonnes, productivity has risen significantly and hence profitability has improved. Mr Nick Goodwin, analyst at stockbrokers E.W. Balderson points out that, in the December 1991 quarter, the industry profit margin improved from R185 to R233 an ounce.

A look behind the figures, however, is salutary. Improving productivity has meant cutting production costs and lifting output. Both come with considerable costs attached. Since labour represents about 52 per cent of working costs on a mine, the axe has fallen hardest here. Lifting output means pursuing the best grades available, or "high-grading". This has the effect of shortening the life of a mine.

Improvements on the cost front have been impressive. Chamber of Mines figures show that the working cost per kilogram of gold produced in 1991 rose by only 1 per cent during 1990, or one-tenth of the inflation rate.

On the labour front, a rough estimate is that job losses are running at nearly 3,000 a month. In December last year, the number of people employed on Chamber of Mines gold mines, which account for the vast majority of the country's production, was 407,000; down from an average 473,000 employees in 1990 and a record 534,000 in 1986.

In terms of grade, the average grade of ore mined in the industry rose to 5.20 grams a tonne in 1991 from 5.05 grams in 1990. That reverses a long-term downward trend, but the scope for improvement is limited and it is very much a short-term measure.

A disturbing trend is the declining capital expenditure, which has negative implications for production in five to eight years time.

Mr Goodwin notes that it is basically maintenance of production capital expenditure that is being cut and this can be caught up, provided cuts do not continue for too long.

He points out that new shafts, such as the Leeudoorn extension to Kloof, are going ahead. That is also the reason why gold production is staying fairly constant, despite marginal shafts being closed.

The unavoidable conclusion is that, while it is true to say that the industry is leaner and fitter than it was a few years ago, this is not the same as saying that it has improved life expectations. For all the industry's efforts to address the symptoms of the problem, the problem remains. Mr Maude notes that, despite all the achievements, "I'm just closer to the point where I have to think about closing mines than I was a year ago".

The great unknown, on the supply side, is exactly how long mines can continue rationalising operations before being forced to close. Mr Goodwin notes: "Mines don't close, they just fade away" – a reference to the fact that comapnies tend to close marginal shafts, even on rich mines, rather than whole mines.

Mr Maude argues that, despite strenuous efforts, there is still more that can be done to lengthen the life of his group's marginal mines. He says the message emerging from the mines is that the increasing attention given to "soft" social issues has diverted attention from basic mining issues where improvements can be made. He says grade improvements on their mines bears this out.

Many in the industry are hoping for a demand-led rescue to the industry's problems, through increased jewellery offtake and changed sentiment, so that the price improves.

Mr Mike Tagg, general manager at Gold Fields, notes that a price of R36,000 a kilogram would improve the industry's position considerably. The 10-15 per cent rise in prices necessary to achieve this was "nothing in terms of commodity prices".

He acknowledges that the old attitude that what was bad for the world was good for gold and South Africa has been tempered by gold's failure to respond positively to the Gulf War.

● Demand for gold from the jewellery industry in 1992 exceeded newly-mined supply in the western world for the third consecutive year and may even have set a new record, according to preliminary estimates by the World Gold Council; the producer-backed promotional organisation. Jewellery fabricators may have used more than 2,000 tonnes for the first time.

Indonesia protests at US tuna ban

By William Keeling in Jakarta

INDONESIA HAS protested to the United States about a US ban on imports of Indonesian tuna and has intimated that it will not accept conditions which would allow the ban to be lifted.

The embargo, which began in January, is the result of US concern that the catches of yellow fin tuna had entailed the netting of sea dolphins, and that Indonesia was importing tuna from other countries with similar practices.

A statement from the Indonesian Ministry of Agriculture said that Indonesian fishermen did not catch dolphins, and that there was an active environmental programme to protect rare wildlife species.

The statement said that Indonesia had never imported tuna from Mexico, Venezuela and Vanuatu; countries which the US says are the worst offenders.

Nevertheless, the statement said that Indonesia expected the ban to be withdrawn soon.

Indonesia will not ban the possible import of tuna from those countries. That would be contrary to the principles of the General Agreement on Tariffs and Trade, the statement says.

The US embassy in Jakarta said it had noted the protest but had not been asked for an official response. Indonesia's raw and processed tuna exports to the US in 1990 were worth $25.4m (£14.70m).

Indonesia's main export market for fish products is Japan, which has itself recently complained about residue levels of the anti-biotic tetracyclin in Indonesian shrimps. In 1990, Indonesia exported $918m of fish products, mostly to Japan, of which shrimps made up about three-quarters of the total. Indonesia's Ministry of Agriculture is checking procedures to ensure shrimps meet export quality standards.

IPE nears deal on oil contract links

By Deborah Hargreaves

LONDON'S International Petroleum Exchange is close to agreement with the New York Mercantile Exchange (Nymex) on a cross-margining link for the two exchanges' crude oil contracts. That would make it cheaper for international traders to use both markets and could increase the IPE's turnover.

Mr Alastair Harris, IPE's director of marketing and Research, said that although talks had progressed slowly, the exchanges could reach agreement by mid-year. Both exchanges were keen to agree such a link – it was up to the clearing houses for the two markets to work out the technical details.

A cross-margining link means that traders taking out positions in London could use them to offset higher margin (collateral) charges for business done in New York. It would make it cheaper for international trading houses to continue trading through the night or early morning once the London or New York market had closed.

The IPE got off to a slower start than the Nymex where crude oil futures traded 21.6m contracts last year. However, volume slipped slightly from 1990 when crude oil traded 23.7m contracts.

Mr Harris pointed out that trading on the IPE is increasing, with volume rising to about 30 per cent of that seen by Nymex.

Algeria throws gas export sales policy into reverse

By Francis Ghiles

SONATRACH, the Algerian state oil and gas monopoly, has decided that all future natural gas export deals, over and above volumes already contracted, will be channelled through joint ventures with foreign partners. That reverses the previous policy of going it alone on gas sales.

Mr Nordine Ait Laoussine, the Algerian Minister of Hydrocarbons told a recent seminar in Washington that the joint ventures would cover not simply gas production but the whole chain, from well head to burner tip. As many of the foreign partners would be based in Europe, they would be able to assist Sonatrach's gas sales in Algeria's natural market, he said.

Algeria has sold all the gas its present production and export capacity can cope with until well beyond the turn of the century. A gas-hungry Europe wants more. To meet any expansion of demand, Algeria's oil and gas monopoly must invest in new capacity: in gas production, pipelines, liquefied natural gas ships and perhaps new plants.

According to Mr James Ball, director of the Gasmatters newsletter, the European Community's other principal suppliers, The Netherlands, Norway and the Commonwealth of Independent States, have sold all the gas they are able to produce by 1995.

The Algerian action, he says, "steals a march on the other exporters by positioning Algerian gas at the front of its competitors".

Sonatrach has been holding discussions with Ruhrgas, which is apparently seeking to buy 3-5bn cubic metres of gas a year from 1995. Discussions are also proceeding, according to the weekly Petrostrategies newsletter, with British gas and Enron, the US gas and power company. The latter is building, with ICI, the world's largest combined heat and power gas plant on Teeside and has plans to build more such plants in Europe.

Technical difficulties assail Western Platinum

By Kenneth Gooding, Mining Correspondent

WESTERN PLATINUM, the western world's third-largest producer of platinum group metals, has suffered severe difficulties arising from its recent rapid expansion as well as metallurgical problems at its refinery at Brakpan in South Africa.

Mr Rob Davies, analyst at Shearson Lehman Brothers, part of the American Express banking group, suggests the problems will not be resolved completely for several months.

Consequently, the full benefits of the expansion – which aims to quadruple base metal output and double that of precious metals – will take until 1993 to work through to shareholders in Lonrho, which owns 75 per cent of WestPlats. At that time, the company expects annual output to be 714,000 troy ounces of platinum group metals.

Some of WestPlats' difficulties were caused by surface ore at the Karee mine, where a new shaft is being sunk, and from the newly-developed Eastern Platinum operations. That ore turned out to be heavily oxidised and it disturbed the delicate metallurgy of the WestPlats process plant.

The plant was already suffering from "lock-up"; a serious condition in which the steady flow of material is disrupted and production no longer takes the expected path. It is a constant danger for platinum plants, because the many different metals found in the ore they treat take varying amounts of time to pass through the system.

At WestPlats the ore goes to five mills. These produce concentrate, which is treated at a smelter to produce a matte, an intermediate material. The matte first goes to a base metal refinery where copper and nickel are extracted. The residue passes to the precious metal refinery where gold and platinum group metals are finally released.

It takes about a week for material to move through the smelter and then about two weeks more for the base metal refinery to produce copper and nickel. At the precious metal refinery, platinum is produced in about three weeks, palladium and gold after seven weeks, and rhodium after six months.

Mr Davies says in a special report that, not only did the ore from Karee and Eastern Platinum disturb WestPlats' metallurgy, but that most of the sulphide minerals that contain the nickel with which rhodium is associated had been naturally leached out. Rhodium was selling at $5,000 a troy ounce at one stage last year (although it has since halved in price), so the shortfall had a serious impact on Lonrho's revenue.

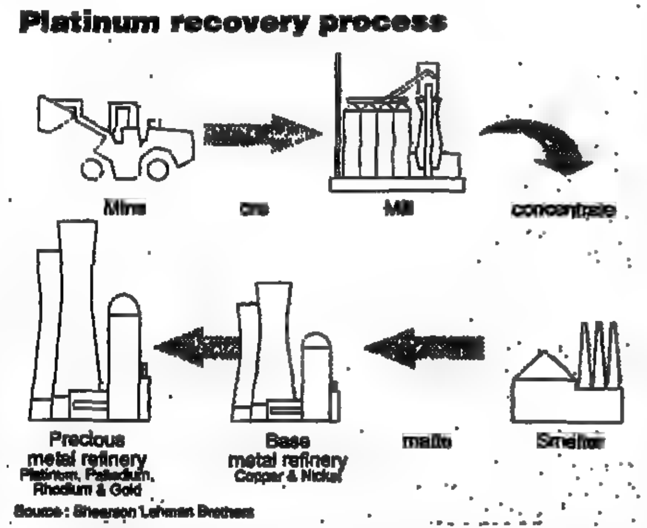
Mr Davies says: "In addition to the technical problems, the whole operation was having to contend with a massive expansion which caused costs everywhere to rise as extra staff were trained and normal staffing ratios got out of kilter."

"Once throughput has settled down at a steady state, the plant ought to stop retaining metal and, although it will always hold some, what goes in should eventually come out.

"The problem of the oxidised ore disturbing the metallurgy should also resolve itself as mining moves beyond the oxidised zones at Karee and Eastern Platinum into fresh, unweathered ore. This will restore metallurgical conditions to what passes for normal in a platinum plant."

As for timing, Mr Davies points out that it took WestPlats' rival Rustenburg and its technical partner Johnson Matthey of the UK ten months to get their new South African platinum refinery working properly.

Platinum recovery process



Source: Shearson Lehman Brothers

NZ oil field litigation ends with sale

From Terry Hall in Wellington

THE NEW ZEALAND government has sold its highly prospective Ngaere field on onshore Taranaki for NZ$119m (£37m) to a consortium led by Fletcher Challenge companies.

This decision four years of often bitter litigation about the ownership of the field which ended at the Privy Council in London.

The potential of the field was noted on the eve of the sale of Petrocorp to Fletcher Challenge in 1988, and Mr David Butcher, then Minister of Energy, made a last minute decision not to include it.

In its recent decision, the Privy Council agreed with the government.

Petrocorp and its 80 per cent owned subsidiary Southern Petroleum are also major shareholders in the adjoining fields, Waihapa, Tariki and Ahuroa. They said that the purchase with neighbouring Waihapa would produce an estimated 20m barrels of oil and 100bn cubic feet of gas.

The agreement includes a clawback provision under which the government will receive extra dividends if the field produces more than expected.

The government is not exposed to extra costs if the field produces less.

With the purchase Petrocorp's share of the field rises from 32 to 48 per cent, at a cost of NZ$44m, and Southern's from 23 to 37 per cent, costing NZ$43.6m.

WORLD COMMODITIES PRICES

MARKET REPORT

ALUMINIUM prices on the London Metal Exchange reached fresh nine-month highs yesterday before being pared back by profit-taking. The three months delivery price reached $1,370 a tonne at one stage, but by the end of after hours trading it was down to $1,355.50 a tonne, up $5 on the day. Dealers said the early rise reflected a continuation of the recent speculative activity, some of which they said was linked to options business. And they thought that, once the technical reaction was absorbed, an upside objective of $1,400 a tonne was a distinct possibility.

COPPER prices came under pressure after New York prices moved lower in early trading. The cash price at the LME closed at £1,264.50 a tonne, down £22.25 from Tuesday's close. At the London Futures and Options Exchange coffee prices were marked down in the morning following a sharp overnight sell-off in New York. The July robusta position dipped to $863 a tonne at one stage before profit-taking by holders of short positions pared the fall. At the close it was quoted at $871 a tonne, down $11 on the day.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$16.85-6.90	+.225
Brent Blend (dated)	$19.10-9.25	+.225
Brent Blend (May)	$19.05-9.15	+.245
W.T.I. (1 pm est)	$22.50-2.60z	+2.25
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$212-214	
Gas Oil	$175-176	+5
Heavy Fuel Oil	$73-74	
Naphtha	$177-179	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$338.55	+0.05
Silver (per troy oz)♣	410c	+1.0
Platinum (per troy oz)	$349.25	-1.75
Palladium (per troy oz)	$84.00	
Copper (US Producer)	106.36	-0.08
Lead (US Producer)	37.38c	
Tin (Kuala Lumpur market)	14.57r	
Tin (New York)	[illegible]	+7.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.78p	-0.20*
Sheep (live weight)†♠	99.51p	-0.35*
Pigs (live weight)†	103.82p	+2.01*
London daily sugar (raw)	$246.0y	-20.5
London daily sugar (white)	$279.0y	+3.40
Tate and Lyle export price	£250.0	+12.5
Barley (English feed)	Unq	
Maize (US No 3 yellow)	£149.5w	
Wheat (US Dark Northern)	£120.0w	
Rubber (May)♥	55.50p	
Rubber (Jun)♥	55.55p	-0.20
Rubber (KL RSS No 1 May)	220.5	
Coconut oil (Philippines)§	650.0t	
Palm Oil (Malaysian)§	$400.0z	
Copra (Philippines)§	$425w	+2.5
Soyabeans (US)	£149.5w	-1.0
Cotton "A" index	59.10c	-0.30
Wooltops (64s Super)	446p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-May/Jun y-Apr/May w-Apr z-May †Meat Commission average fatstockprices * change from a week ago. ♥London physical market. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
May	219.00	218.20	[illegible]	214.00
Aug	208.40	212.00	216.80	209.40
Oct	200.00	205.00	204.60	198.60
Dec	200.00		196.00	
White	Close	Previous	High/Low	
May	276.70	277.50	277.50	275.00
Aug	277.90	280.50	281.00	276.00
Oct	267.90	269.80	270.50	269.30
Dec	268.40		271.00	266.10
Mar	269.90	272.30	272.50	270.50
May	272.90		274.00	272.50

Turnover: Raw 2179 (773) lots of 50 tonnes. White 3789 (2024)
Paris- White (FFr per tonne): May 1556.91 Aug 1568.83

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
May	19.16	18.83	19.25	18.87
Jun	19.12	18.80	19.17	18.85
Jul	19.08	18.73	19.08	18.86
Aug	18.91	18.68	18.92	18.80
Sep	18.90	18.64	18.90	18.70
Oct	18.86	18.68	18.85	18.74
IPE Index	18.89	18.92		

Turnover 23000 (16134)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Apr	173.50	170.00	173.75	169.50
May	174.25	170.75	174.50	170.25
Jun	174.00	171.25	174.50	172.00
Jul	174.75	172.50	175.25	173.25
Aug	176.25	174.00	176.25	174.00
Sep	177.75	175.75	177.75	176.00
Oct	179.50	178.00	178.75	176.25
Nov	180.25	179.00	181.25	179.00

Turnover 17775 (11681) lots of 100 tonnes

WOOL

Prices are holding firm at this week's Australian sales, with some small rises for better styles which are in relatively short supply at this stage of the season, and following drought conditions in some areas. The Australian Wool Corporation's market indicator was 582 cents a kg, on April 8, only 7 cents up from last week's close direction. The Easter recess starts next week and firm markets ahead of the break will be welcome. In wool using countries the knitwear side has benefitted most from lower wool prices in the past year but other sectors remain adversely affected by recession.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
May	610	613	608	603
Jul	637	640	636	631
Sep	665	665	665	656
Dec	699	699	694	691
Mar	731	731	730	724
May	750	751	750	746
Jul	770	772	770	766
Sep	789	792	789	787
Dec	817	822	818	817

Turnover: 4493 (3428) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 7 756.52 (758.03) 10 day average for Apr.8 781.43 (790.39)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
May	857	867	860	837
Jul	871	882	875	863
Sep	887	886	890	877
Nov	905	906	905	900
Jan	921		924	918
Mar	935	936	935	928

Turnover:2261 (3027) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 7: Comp. daily 56.89 (57.36) 15 day average 56.74 (56.77)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
May	118.5	122.0	120.5	118.3
Apr	123.0	123.2	123.9	120.8

Turnover 25 (113) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne	
	Close	Previous	High/Low	
Jun	121.00		121.00	
Aug	122.50	121.50	123.00	122.50

Turnover 140 (60) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Apr	1158	1147	1164	1130
May	1151	1121	1151	1115
Jun	1040	1031	1040	1035
Jul	1040	1033	1045	1030
Oct	1181	1168	1185	1175
BFI	1149	1154		

Turnover 205 (388)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
May	123.70	123.20	123.70	123.35
Nov	115.75	115.80	115.90	115.75
Mar	122.65	122.65	122.65	122.65
Barley	Close	Previous	High/Low	
May	116.20	116.75	116.75	116.20
Sep	109.25		109.25	109.25
Nov	112.90		113.00	112.90

Turnover: Wheat 73 (371), Barley 57 (0).
Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg		
	Close	Previous	High/Low	
Apr	128.0	128.0	128.0	127.5
May	126.5	126.5	126.0	
Jun	119.8	120.0	120.0	119.6
Jul	113.9	113.7	113.9	113.6
Aug	108.9		108.9	108.6
Sep	109.1		109.0	108.9

Turnover 26 (80) lots of 3,250 kg

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open interest
(Prices supplied by Amalgamated Metal Trading)						
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 34,784 lots
Cash	1329.5-30.5	1311.5-2.5		1343-4		
3 months	1356.5-57.0	1337.5-8.0	1370.5/1345	1370-0.5	1365-6	177,954 lots
Copper, Grade A (£ per tonne)						Total daily turnover 16,741 lots
Cash	1264-5	[illegible]	[illegible]	[illegible]		
3 months	1294-5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] lots
Lead (£ per tonne)						Total daily turnover [illegible] lots
Cash	[illegible]	[illegible]		[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] lots
Nickel ($ per tonne)						Total daily turnover [illegible] lots
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] lots
Tin ($ per tonne)						Total daily turnover [illegible] lots
Cash	[illegible]	[illegible]		[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover [illegible] lots
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] lots
LME Closing US rate						
SPOT: [illegible]		3 months: [illegible]		6 months: [illegible]		9 months: [illegible]

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	[illegible]	
Opening	[illegible]	
Morning fix	[illegible]	[illegible]
Afternoon fix	[illegible]	[illegible]
Day's high	[illegible]	
Day's low	[illegible]	
Loco Ldn Mean Gold Lending Rates (Vs US$)		
1 month	[illegible]	6 months [illegible]
2 months	[illegible]	12 months [illegible]
3 months	[illegible]	
Silver fix	p/troy oz	US cts equiv
Spot	[illegible]	[illegible]
3 months	[illegible]	[illegible]
6 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]
GOLD COINS (Prices supplied by Engelhard Metals)	$ price	£ equivalent
Krugerrand	[illegible]	[illegible]
Maple leaf	[illegible]	[illegible]
New Sovereign	[illegible]	[illegible]

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jun	May	Jun
1200	[illegible]	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]	[illegible]
Copper (Grade A)	Calls		Puts	
2150	[illegible]	[illegible]	[illegible]	[illegible]
2250	[illegible]	[illegible]	[illegible]	[illegible]
2350	[illegible]	[illegible]	[illegible]	[illegible]
Coffee	May	Jul	May	Jul
750	[illegible]	[illegible]	[illegible]	[illegible]
800	[illegible]	[illegible]	[illegible]	[illegible]
850	[illegible]	[illegible]	[illegible]	[illegible]
Cocoa	May	Jul	May	Jul
575	[illegible]	[illegible]	[illegible]	[illegible]
600	[illegible]	[illegible]	[illegible]	[illegible]
625	[illegible]	[illegible]	[illegible]	[illegible]
Brent Crude	May	Jun	May	Jun
1800	[illegible]	[illegible]	[illegible]	[illegible]
1850	[illegible]	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]	[illegible]

New York

GOLD 100 troy oz.; $/troy oz. [illegible]

PLATINUM 50 troy oz; $/troy oz. [illegible]

SILVER 5,000 troy oz; cents/troy oz. [illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs [illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs [illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
May	20.57	20.23	20.67	20.40
Jun	20.59	20.31	20.69	20.47
Jul	20.55	20.28	20.69	20.43
Aug	20.49	20.22	20.58	20.36
Sep	20.42	20.14	20.46	20.29
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls [illegible]

COCOA 10 tonnes;$/tonnes [illegible]

COFFEE "C" 37,500lbs; cents/lbs [illegible]

COTTON 50,000; cents/lbs [illegible]

ORANGE JUICE 15,000 lbs; cents/lbs [illegible]

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Apr.8	Apr.7	mnth ago	yr ago
	[illegible]	[illegible]	[illegible]	[illegible]
DOW JONES (Base: Dec. 31 1974 = 100)				
	Apr.7	Apr.6	mnth ago	yr ago
Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
May	565/6	570/4	571/0	566/4
Jul	574/2	577/2	578/2	573/6
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb [illegible]

SOYABEAN MEAL 100 tons; $/ton [illegible]

MAIZE 5,000 bu min; cents/56lb bushel [illegible]

WHEAT 5,000 bu min; cents/60lb-bushel [illegible]

LIVE CATTLE 40,000 lbs; cents/lbs [illegible]

LIVE HOGS 40,000 lb; cents/lbs [illegible]

PORK BELLIES 40,000 lbs; cents/lb [illegible]

LONDON STOCK EXCHANGE

Equities slide on Japanese bank fears

By Steve Thompson

WORRIES about the possibility that one of the leading Japanese banks may have defaulted on a swaps deal, triggering a crisis in the Japanese banking system, caused a wholesale retreat by a London market which had only just regained its poise after a prolonged bout of election jitters. London was one of many leading European stock markets losing ground during the day.

However, the equity market managed to regain a measure of stability ahead of today's general election, recouping around two thirds of losses incurred during the early part of the trading session.

The international developments hit London hard as the market opened. Dealers cut their opening quotations in response to a fresh bout of turbulence on Wall Street and later in Tokyo.

The latter's recent plunge, which has seen the Nikkei Average drop from about 22,000 to around 17,000, was seen as the catalyst for an overnight 61-point retreat by Wall Street.

The FT-SE was initially quoted down just over 30 points but immediately began a sustained rally. The trend was attributed to hints that the ruling Conservative Party had begun an eleventh-hour rally in the polls. Rumours abounded that at least one of the opinion polls published this morning would show the Tories ahead of Labour.

The Footsie came within a whisker of being up on the day – showing a 0.7 decline at 2,403.5 – but Wall Street came in sharply lower amid the Japanese banking stories and proceeded to demolish London's painstakingly rebuilt, but still fragile, confidence. The index ended the session a net 11 lower at 2,393.2.

International markets have long been concerned about the recent slide in Tokyo. One leading economist said that further weakness would cause serious weakening of the Japanese banks' capital ratios and force them to sell US shares, bonds and property. "It follows that Wall Street would slide, taking London and other markets with it," he said.

In spite of such fears, traders in London took heart from the stability of sterling and persistent demand for gilt-edged. At the close, sterling was up against the dollar and D-mark. The three-month interbank rate, an important guide to UK domestic interest rate trends, eased further to around the 10¼ per cent mark.

The opinion poll rumours sparked a flurry of buying of the regional electricity companies (recs), but the demand was at the expense of water stocks which moved in the opposite direction, still spooked by worries of a windfall profits tax.

Tuesday's strong support for Reuters evaporated after UBS Phillips & Drew and BZW, were said to have been keen sellers of the shares.

Fisons, still regarded by many as a takeover candidate, attracted persistent buying, helped by a broker's presentation. BP, on the other hand, fell further after a leading US brokerage removed the stock from its buy list.

Turnover in London held up relatively well at 472.9m shares considering that most fund managers have already put the finishing touches to their pre-election portfolios.

Account Dealing Dates			
*First Dealings:	Mar 23	Apr 6	Apr 27
Option Declarations:	Apr 2	Apr 23	May 7
Last Dealings:	Apr 3	Apr 24	May 8
Account Day:	Apr 13	May 5	May 18

*New-time dealings may take place from 8.30 am two business days earlier.

US loses appetite for BP

A SHARP change of attitude towards British Petroleum in the US, where investors have been strong buyers for some time, knocked the shares, which fell 6¼ to 245½p.

US investment house Smith Barney revised its recommendation from buy to hold. Oil analyst Mr Michael Young said he had "lost confidence in BP's earnings power over the next few years". He predicts first-quarter earnings of 20 cents per American Depositary Receipt and is holding his 1992 oil price estimate of $19 a barrel.

In London, where the attitude is distinctly disenchanted, there was also talk in the market of extensive redundancies within the oil company. Finally, Société Générale Strauss Turnbull was telling clients that it was increasingly cautious about the potential benefits of Columbia's Cusiana oilfield, in which BP has a large stake.

Owners inquiry

The second Stock Exchange inquiry in as many weeks was launched into Owners Abroad, the the UK's second largest holiday group. Yesterday's move is believed to centre on the collapse of the group's share price over the past month. This has coincided with chairman Mr Howard Klein selling 690,000 shares to a trust owned by the company for an employee share scheme.

It has also coincided with a series of anonymous notes being circulated to Owners' employees and national newspapers suggesting that the group was about to fall prey to rival Airtours. Both companies have denied that there is any truth in the suggestion.

There was brisk business in Owners yesterday, 1.1m shares being traded, and the stock ended half a penny down at 89p. Airtours slipped 5 to 239p.

Queens Moat falls

There was a mixed response to figures from Queens Moat Houses, one of the leading UK and Continental hotel groups. While the profits were largely in line with expectations, a warning from the group that there would be no earnings growth over the next year hurt the stock, which fell 5 to 71p.

As expected, UK occupancy rates were dismal but a continued strong showing in Europe underpinned what was seen as a generally solid performance. Mr Paul Heath at UBS Phillips & Drew said he was likely to move from a hold to a buy over the next few months, but expressed caution over the stock, which has been prone to recent underperformance.

Kleinwort Benson, a bull of the shares, shaved its 1992 profits forecast to £103m.

Power generators and regional electricity companies staged a late surge amid speculation that an imminent opinion poll would give the Conservatives a lead over Labour. On the other hand, traders noted that water issues, also particularly vulnerable to changes in the political climate, did not show similar gains.

Analysts suggested that the regional electricity groups have become cheap to water shares recently and were due for a bounce, but this does not apply to the power generators, which have remained relatively strong, with the exception of the Scottish power companies. The Electricity Package rallied £92 to £2,360.

Utilities analyst Ms Liz Christie at Goldman Sachs regards the Scottish power companies as particularly attractive, believing them to be less vulnerable to regulatory controls, and at the present price "no one can accuse the government of selling them too cheaply". Water shares had a much softer tone.

Costain Group dropped to 56p immediately following the preliminary figures but rallied in the wake of a positive post results meeting with analysts to close a penny firmer at 86p. Turnover in the shares was a hefty 6.5m.

However, Mr Graham Foster at Nomura, who reduced his forecast for this year to £17m, said: "The feeling still remains with Costain that they are again promising jam tomorrow. I remain very cautious." Hoare Govett cut its forecast to £15m, while UBS is looking for £17.5m.

Information organisation Reuters Holdings retreated 36 to 1105p in reaction to sharp falls on Wall Street, where traders said about 40 per cent of Reuters shares were held in the form of American Depositary Receipts (ADRs).

There was also a note of caution from securities house UBS Phillips & Drew at its morning meeting following the statement that Reuters' trading system Globex is to be launched on June 25. The house said Globex was good news but the shares had been at a substantial premium to the market. Other UK stocks with a significant ADR weighting suffered as well. SmithKline Beecham, about 33 per cent held in ADR form and which had been heavily sold in New York, showed falls of 22 to 830p for the "A" shares and 110 to 3750p for the Units.

Among transport issues, International freight company Ocean Group bounced from recent weakness to add 7 at 309p after reporting a 6 per cent improvement in 1991 profits at £51m.

Rolls-Royce put on 3 to 150p, boosted by a Smith New Court recommendation.

Speculation that Vickers would soon announce the outright sale of its Rolls Royce Motor Cars subsidiary sent the shares rising 7 to 144p. One analyst, however, discounted the talk.

British Airways retreated 8 to 240p, hurt by selling in New York and a stock overhang in London, together with the rise in oil prices.

Pharmaceuticals group Fisons finished a penny firmer at 323p, after being 4 ahead at one stage, with 3.8m shares traded. Securities house Hoare Govett hosted a "reassuring" presentation by the company. New chief executive Mr Cedric Scroggs and chairman Mr Patrick Egan spoke to representatives from about 25 institutions. Hoare also reiterated its buy stance on Fisons, arguing that the shares had underperformed ahead of Mr Scroggs' appointment.

Cynical fund managers and analysts returned unimpressed with the new Euro Disney site outside Paris. The visit on Tuesday was meant to present a bright image of the resort ahead of its opening this weekend. Yesterday the shares tumbled 85 to 1465p.

Among insurers, Prudential stood out with a rise of 7½ to 208p. Smith New Court decided that the stock looked cheap after sustained underperformance and was discussing the company with clients yesterday.

FT-A All-Share Index

1,240 / 1,220 / 1,200 / 1,180 / 1,160 / 1,140 — F M A 1992

Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover

800 / 600 / 400 / 200 / 0 — F M A 1992

Source: Datastream

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Colin Millham.

■ Other market statistics, Page 22.

FINANCIAL TIMES STOCK INDICES

	Apr 8	Apr 7	Apr 6	Apr 3	Apr 2	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	85.61	85.37	85.18	85.18	85.14	85.39	88.55 (27/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	99.11	98.85	98.41	98.23	98.19	94.73	101.56 (19/2/92)	90.58 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1854.7	1865.3	1859.2	1851.4	1866.6	1992.2	2108.3 (2/9/91)	1608.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	111.5	118.2	117.4	118.1	119.8	143.1	222.8 (11/7/91)	111.5 (8/4/92)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2393.2	2404.2	2400.9	2382.7	2405.4	2518.8	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1145.47	1154.11	1151.11	1141.32	1149.52	1155.66	1200.08 (4/3/92)	938.62 (16/1/91)	1200.08 (4/3/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.80	4.77	4.78	4.79	4.76	4.86				
●Earning Yld %(full)	7.00	6.96	6.97	6.97	6.93	8.87				
●P/E Ratio(Net)(☆)	17.92	18.03	17.99	18.03	18.14	13.87				
SEAQ Bargns 5.00pm	24,841	23,125	27,183	36,131	39,234	32,348				
Equity Turnover(£m)†	-	968.7	800.0	963.5	1,055.0	1020.83				
Equity Bargains†	-	27,858	32,981	47,009	44,673	33,752				
Shares Traded (ml)†	-	414.4	393.6	495.4	551.4	448.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Base 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 16.79

Ordinary Share index, Hourly changes — Day's High 1865.2 — Day's Low 1841.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1841.1	1847.1	1853.9	1857.1	1858.9	1860.7	1861.6	1858.7	1858.0

FT-SE 100, Hourly changes — Day's High 2403.5 — Day's Low 2374.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2374.1	2382.3	2387.6	2392.7	2394.3	2396.4	2397.1	2394.7	2396.3

FT-SE Eurotrack 200, Hourly changes — Day's High 1145.47 — Day's Low 1141.28

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1142.43	1142.37	1142.70	1142.49	1143.80	1144.35	1142.54

GILT EDGED ACTIVITY

Indices*	Apr 7	Apr 6
Gilt Edged Bargains	79.3	75.4
5 – Day average	88.0	96.7

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	39	488	-17
ASDA Group	2,500	29½	-½
Abbey National	1,900	288	-6
Albert Fisher	289	80	
Allied-Lyons	2,200	576	-2
Amstrad	959	39	
Anglian Water	917	317	+1
Argos	346	230	-1
Argyll Group	3,900	316	-6
Arjo Wiggins	1,800	230	
Ass. Brit. Foods	69	484	-4
Ass. Brit. Ports	1,300	390	-3
Comm Union	2,700	404	-11
Cookson	1,300	127	+2
Courtaulds	1,200	513	+3
Dalgety	451	389	-2
De La Rue	729	691	-3
Dixons	3,700	198	+2
ECC Group	471	395	+8
Eastern Elect.	2,700	211	+8
East Midland Elect.	530	222	+14
Enterprise Oil	534	380	-5
Eurotunnel Units	1,400	413	-10
Lucas	1,100	108	-4
MB Caradon	735	265	
MEPC	128	387	-2
Manweb	411	282	+10
Marks & Spencer	4,500	291	+7
Midland Bank	3,900	342	-3
Midlands Elect.	280	235	+8½
NFC	1,100	224	-2
NatWest Bank	4,200	270	
National Power	2,800	199	+9
Shell Transport	2,800	454	-6
Slough Ests	175	157	-2
Smith (W.H.) A	576	393	-1
Smith & Nephew	2,600	153½	-1½
SmKl Beecham	1,400	830	-22
SmKl Beecham Uts.	289	3750	-110
Southern Elect.	1,000	210	+8
South Wales Elect.	37	266	+11
South West Water	183	319	-6
South West. Elect.	380	258	+14
British Land	189	186	-1
BP	9,000	245½	-6½
British Steel	12,000	69	+1
British Telecom	7,000	307	-2
Bunzl	195	96	+1
Burton	3,700	37½	
Cable & Wire	1,100	528	+5
Cadbury Schweppes	1,900	443	+2
Calor Group	291	165	-1
Carlton Comms.	372	618	-8
Coats Viyella	984	193	-2
ICI	1,800	1259	+1
Inchcape	1,100	441	-2
Kingfisher	2,300	477	+9
Kwik Save	465	594	
Ladbroke	1,200	205½	-2½
Land Securities	380	375	-3
Legal & General	1,800	326	-1
Lloyds Abbey	1,800	354	-3
Lloyds Bank	1,700	365	-3
LASMO	2,300	166	-7
London Elect.	141	242	+8
Lonrho	2,800	81	-2
Rolls Royce	1,500	158	+3
Rothmans	720	1035	-3
Ryl Bk Scotland	963	149	-3
Royal Insurance	3,900	178	-9
Sainsbury	2,700	391	+5
Scottish & New	1,000	442½	+6½
Scot. Hydro-Elect	6,400	79	+1
Scottish Power	5,600	78	-1
Sears	5,800	80	+2
Sedgwick	968	201	-6
Seeboard	781	242	+6
Severn Trent Water	300	302	-3
Utd. Newspapers	2,000	369	-14
Vodafone	2,000	310	+1
Warburg (SG)	199	495	+7
Wellcome	1,000	1062	-3
Welsh Water	40	340	-1
Wessex Water	847	374	-4
Whitbread 'A'	944	390	+6
Williams Hldgs	233	304	
Willis Corroon	515	241	-3
Wimpey	382	144	+2
Wolseley	407	400	+5
Yorkshire Elect	380	272	+6
Yorkshire Water	944	347	-6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TALK of an opinion poll indicating a late swing in favour of the Conservative Party ahead of today's election sent stock index futures sharply forward, writes Joel Kibazo.

A four-point decline to 2,406 in the June contract on the FTSE, shortly after the market's opening, was halted as independent traders turned buyers on talk of a change in fortunes for the Conservatives.

That fall, to 2,400, proved to be the low of the day, for June continued to advance for the rest of the session, buoyed by the strong performance in the gilts and sterling markets and ignoring the falls on Wall Street.

A notable feature came in the closing minutes of the session, when a well-known independent trader bought 150 contracts as June stood at a high premium to cash. The filling of that order sent June back into retreat to close at 2438 up 10 on the previous session and some 23 points above its estimated fair value to cash of about 22.

Trading in the FTSE options accounted for a large part of the day's total turnover of 35,410 in LTOM. It traded 18,656 lots, up from Tuesday's 12028. BTR was the busiest stock option with the day's total of 1,255 contracts.

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Apr 8 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Apr 7 Index No.	Mon Apr 6 Index No.	Fri Apr 3 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (179)	773.34	-0.1	7.97	6.13	16.42	10.84	773.81	771.76	771.44	877.72
2 Building Materials (22)	926.52	+0.3	6.88	6.83	20.30	10.30	924.19	928.95	931.82	1132.51
3 Contracting, Construction (28)	837.75	-0.3	7.85	7.86	19.50	9.16	840.37	841.03	846.87	1387.07
4 Electricals (8)	2363.57	+0.5	7.90	6.24	16.46	20.97	2351.49	2333.33	2315.69	2420.88
5 Electronics (29)	1738.02	-0.3	10.35	4.89	12.24	3.46	1743.79	1737.07	1736.26	1883.67
6 Engineering-Aerospace (7)	336.73	-0.1	9.87	7.69	13.27	9.52	337.04	332.73	329.21	458.94
7 Engineering-General (44)	470.42	-0.1	9.04	5.01	13.70	6.61	470.77	469.50	472.72	461.93
8 Metals and Metal Forming (8)	313.62	+0.8	1.99	11.05	-	0.32	311.04	307.91	302.42	491.45
9 Motors (14)	300.55	-1.1	8.93	7.83	14.61	6.43	303.97	300.80	301.03	353.30
10 Other Industrial Materials (19)	1613.01	......	7.37	5.14	16.61	32.10	1613.52	1609.55	1606.13	1568.83
21 CONSUMER GROUP (188)	1565.23	-0.5	7.74	3.63	15.82	11.64	1572.45	1567.92	1567.02	1464.88
22 Brewers and Distillers (24)	1938.05	-0.3	8.33	3.76	14.44	16.70	1944.65	1946.16	1967.81	1769.73
25 Food Manufacturing (17)	1212.43	-0.4	9.04	4.33	13.80	17.10	1217.48	1217.57	1220.87	1204.57
26 Food Retailing (18)	2554.83	-0.1	9.03	3.42	14.34	6.04	2558.48	2526.26	2474.50	2827.09
27 Health and Household (24)	4072.09	-1.2	6.73	2.59	16.86	23.22	4120.80	4116.20	4116.26	3200.61
29 Hotels and Leisure (20)	1223.42	-0.5	7.41	5.58	17.14	15.37	1229.08	1225.82	1234.48	1367.61
30 Media (25)	1475.98	-1.6	6.56	3.72	19.02	13.93	1499.96	1489.13	1473.27	1508.69
31 Packaging, Paper & Printing (17)	722.18	+0.4	7.45	4.57	15.81	9.89	719.19	719.71	715.85	680.34
34 Stores (33)	958.86	+1.1	7.70	3.78	17.25	2.45	948.74	943.93	941.79	930.42
35 Textiles (10)	642.37	-1.0	8.14	4.85	15.18	2.94	649.06	646.18	644.39	547.63
40 OTHER GROUPS (116)	1142.57	-0.2	10.62	5.78	11.87	13.44	1145.17	1147.99	1140.56	1223.16
41 Business Services (17)	1233.67	-1.2	8.11	5.12	15.76	11.81	1248.20	1245.08	1238.89	1233.29
42 Chemicals (22)	1443.46	......	7.17	5.04	17.09	23.59	1443.46	1437.81	1423.88	1272.52
43 Conglomerates (11)	1281.93	-1.2	11.11	7.85	11.01	9.10	1298.07	1285.89	1270.14	1554.07
44 Transport (14)	2256.85	-1.3	5.83	5.03	23.08	26.14	2286.57	2277.91	2297.90	2199.39
45 Electricity (16)	1074.43	+2.9	16.35	6.92	7.98	17.21	1044.63	1058.39	1049.63	1167.24
46 Telephone Networks (4)	1279.03	-0.2	12.26	4.90	10.65	16.02	1281.72	1284.23	1274.20	1461.63
47 Water (10)	2140.95	-0.8	19.92	7.43	5.53	0.00	2157.39	2186.50	2175.40	2505.29
48 Miscellaneous (22)	1809.17	-0.7	6.63	5.45	19.92	20.93	1821.97	1848.09	1836.69	1916.03
49 INDUSTRIAL GROUP (483)	1232.26	-0.3	8.66	4.74	14.44	12.27	1236.16	1234.67	1231.76	1248.44
51 Oil & Gas (17)	1972.00	-1.1	9.43	7.21	13.99	41.53	1993.82	1998.65	1937.42	2376.02
59 500 SHARE INDEX (500)	1300.89	-0.4	8.74	5.00	14.40	14.49	1306.09	1305.02	1298.02	1344.78
61 FINANCIAL GROUP (87)	638.87	-0.7	-	7.09	-	15.02	643.53	642.18	637.33	834.84
62 Banks (9)	807.76	-0.9	5.34	6.76	37.27	22.89	815.19	810.14	790.95	933.51
65 Insurance (Life) (6)	1263.36	+1.6	-	7.05	-	43.02	1243.71	1243.61	1265.93	1540.24
66 Insurance (Composite) (7)	419.96	-2.2	-	8.29	-	9.16	429.57	428.98	429.10	697.76
67 Insurance (Brokers) (10)	891.99	-1.9	8.63	7.52	15.29	20.48	909.66	909.74	919.87	1174.88
68 Merchant Banks (7)	406.47	+0.3	-	5.10	-	4.25	405.18	408.01	408.73	422.31
69 Property (33)	613.80	-0.8	9.37	7.40	14.62	3.43	618.47	620.84	627.72	1028.99
70 Other Financial (15)	221.21	......	9.07	7.81	14.49	3.12	221.16	222.10	224.01	290.80
71 Investment Trusts (70)	1112.66	-1.2	-	4.00	-	10.96	1126.36	1124.38	1116.15	1205.50
99 ALL-SHARE INDEX (657)	1144.85	-0.5	-	5.21	-	14.27	1150.09	1148.96	1142.45	1219.80

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 7	Apr 6	Apr 3	Apr 2	Apr 1	Year ago
FT-SE 100 SHARE INDEX‡	2393.2	-11.0	2403.5	2374.1	2404.2	2400.9	2382.7	2405.4	2408.6	2518.8

FIXED INTEREST

PRICE INDICES	Wed Apr 8	Day's change %	Tue Apr 7	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (27)	119.78	+0.27	120.35	1.57	3.77
2 5-15 years (25)	132.64	+0.29	132.25	2.10	4.09
3 Over 15 years (9)	141.96	+0.34	141.48	2.29	2.78
4 Irredeemables (6)	157.88	+0.38	157.28	3.72	1.50
5 All stocks (67)	130.98	+0.29	130.93	1.97	3.90
Index-Linked					
6 Up to 5 years (2)	170.09	+0.16	169.82	0.54	1.37
7 Over 5 years (11)	144.98	+0.29	144.55	0.86	1.20
8 All stocks (13)	147.31	+0.27	146.91	0.81	1.21
9 Debs & Loans (62)	113.44	+0.20	113.22	2.04	3.41

AVERAGE GROSS REDEMPTION YIELDS		Wed Apr 8	Tue Apr 7	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.22	9.31	9.15
2	15 years	9.60	9.65	9.56
3	20 years	9.60	9.65	9.67
4 Medium Coupons	5 years	10.11	10.20	10.14
5	15 years	9.71	9.75	9.97
6	25 years	9.65	9.71	9.93
7 High Coupons	5 years	10.34	10.42	10.29
8	15 years	9.85	9.88	10.15
9	25 years	9.76	9.80	10.10
10 Irredeemables		9.80	9.84	9.93
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	3.84	3.87	3.72
12 Inflation rate 5%	Over 5 yrs	4.57	4.59	4.10
13 Inflation rate 10%	Up to 5yrs	3.17	3.21	2.92
14 Inflation rate 10%	Over 5 yrs	4.40	4.41	3.92
15 Debs & Loans	5 years	11.46	11.46	11.86
16	15 years	11.17	11.18	11.64
17	25 years	10.97	10.99	11.43

‡ Opening index 2374.1; 9 am 2382.3; 10 am 2387.6; 11 am 2392.7; Noon 2394.3; 1 pm 2396.4; 2 pm 2397.1; 2.30 pm 2394.9; 3 pm 2394.7; 3.30 pm 2394.6; 4 pm 2396.3; 4.10 pm 2393.5 (a) 3.37pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

NEW HIGHS AND LOWS FOR 1991/92

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

AMERICANS

Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	34¼xd	−13/32	35 15/16	20⅞	14,565	2.0
♥Allegheny & W	295p	—	385p	218p	153.3	5.7
Amdahl	895p	—	1135p	667p	997.9	0.8
Amer Cyanamid	35½	—	42⅛	25⅜	3,310	2.4
Amer Express	12⅝xd	−3/16	17⅞	9 11/16	5,961	4.5
Amer T & T	23⅞xd	−1/16	24½	15¾	31,566	3.1
Ameritech	33	—	38⅞	32½	14,448	6.0
BankAmerica	22 11/16xd	−15/32	26⅝	12 5/16	4,884	3.2
Bankers NY	30xd	−13/16	38 3/16	20 1/16	2,472	9.1
Bell Atlantic	23¼	—	30½	23¼	9,143	6.3
BellSouth	25	—	31¼	25	12,167	6.2
♥Bethlehem Steel	7⅞xd	−⅛	11¼	6 5/16	582.4	—
Bowater	1392pxd	—	1839p	1042p	580.8	4.9
CPC	48⅛xd	−⅛	54 13/32	37 15/16	3,684	2.8
California Engy	708p	—	930p	420p	123.9	—
Campbell Soup	19½	−11/16	25	14⅛	4,601	2.3
Chase Manhattan	12⅝xd	−5/16	14 11/16	5 5/16	1,775	5.4
Chrysler	9 13/16xd	−1/16	18⅝	5⅞	2,984	3.4
Citicorp	8 7/16xd	−⅛	18⅜	4⅞	2,864	—
Colgate-Palm	28⅝xd	−¼	28⅞	21 5/16	4,181	2.2
Cont'l Bank	957p	—	997p	438p	987.1	3.5
Dana	21 11/16xd	−3/16	23⅛	13⅝	898.7	4.1
Data General	857p	—	1262p	203p	153.7	—
Dial	21¼xd	−⅛	24⅛	7⅞	883.8	2.9
Dun & Brad	31⅞	—	33½	20¾	5,688	3.8
Eaton	41⅞	—	46½	24¼	1,428	3.0
Echlin	9 11/16xd	−½	11	5½	941.8	4.1
FPL	18⅞xd	−3/16	20⅛	14 5/16	3,198	7.2
Fluor	21⅝xd	−⅛	30 3/16	17 7/16	1,753	1.0
Ford Motor	22½xd	−13/32	23 7/16	13	10,651	2.5
Gen Elect	42¼xd	−1⅛	46 13/16	28 1/16	36,589	2.8
♥General Host	497p	—	566p	270p	—	4.1
Gillette	28⅝xd	−1	45¾	20⅞	5,621	1.3
Hasbro h	13¾	—	16	5⅜	1,182	0.5
Honeywell	40¾xd	−3/16	43	21¾	2,845	2.3
Houston Inds	24½	—	24¾	17⅞	3,158	6.8
IBM	47 5/16xd	−1/16	72 13/16	46	27,212	5.7
Ingersoll-Rand	32 1/16xd	−1 3/16	38 1/16	18 7/16	1,682	2.3
Lockheed	25⅞	—	28⅛	16⅛	1,624	4.4
Lowe's	2129p	—	2478p	1245p	775.2	1.5
Merrill Lynch	28¾xd	−1 11/16	39 15/16	10 1/16	2,953	2.0
Morgan (JP)	30 13/16xd	−1 3/16	38⅛	21 11/16	5,619	4.0
Morris (Philip)	43½xd	−1 1/16	45 3/16	25 7/16	49,273	2.7
NYNEX	49⅛	—	49¾	39	6,164	6.5
♥Pac Agric	52p	—	89p	15p	—	—
Pall	14⅞	—	17 13/16	10 3/16	1,294	1.4
Pennzoil	25 13/16xd	−⅞	48⅛	25⅛	1,849	6.5
Quaker Oats	30¼xd	−⅛	40 3/16	24⅞	2,259	3.2
Rockwell	13¾xd	−¼	17⅝	13⅛	3,097	3.8
Rep NY	23	−⅞	27 13/16	16½	1,198	2.4
Sears, Roebuck	28 7/16xd	−3/16	28	12 15/16	8,709	4.4
Sthwestern Bell	33⅛	—	35⅞	25⅝	10,007	4.9
Sun Co	15⅞xd	−1/16	20¼	14⅛	1,530	6.7
Tenneco	21⅝xd	−⅛	27⅛	14⅞	2,586	4.3
Texaco	34xd	−1	40½	29 1/16	8,789	5.3
Time Warner	56¼xd	−2⅜	64½	37⅞	5,193	1.0
♥Unilab	459p	—	587p	250p	428.4	—
Utd Tech	29 13/16xd	−1/16	31½	22⅞	3,828	3.4
♥Utilitech	122p	—	122p	42p	—	—
♦URS Intl. 1c	0¾p	—	1¼p	0¼p	2.38	—
US West	18½	—	22	18¼	7,993	6.1
Varity	771p	—	1419p	578p	192.4	—
Waste Manage	21⅝xd	−⅛	26	16⅝	10,223	1.1
Whirlpool	2582pxd	—	2781p	1053p	1,739	2.5
♥Woolworth	16 5/16	−1/16	20 5/16	12⅞	2,160	3.7

CANADIANS

Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
♥Abbot Energy	2p	—	11p	1⅛p	—	—
Amer Barrick	1460p	—	1642p	953p	1,887	0.3
Bk Montreal	20⅞	—	23⅛	13	2,588	5.5
Bk Nova Scot	858p	—	1179p	536p	1,858	4.8
♥BC Gas	659p	—	670p	639p	—	3.9
BCE	21⅛	—	24½	17⅛	6,732	7.1
♥Brascan	784p	—	1080p	847p	864.8	7.1
♥Breakwater	29p	—	39p	6p	18.4	10.6
Can Imp Bk	1372p	—	1810p	1180p	2,894	6.2
Can Pacific	900p	—	1180p	758p	2,847	0.3
4pc Deb	33	—	37	30	18.4	11.4
♥Derlan	278p	—	483p	248p	—	5.4
♥Echo Bay	368p	—	629p	356p	396.9	1.3
♥ECO	27p	—	191p	11½p	—	—
Granges	61p	—	88p	48½p	11.1	—
♥Gulf Can	381pxd	—	829p	219p	884.1	6.0
♥Hawker Sid	12	—	14½	10	98.3	4.9
♥Hudson's Bay	1300p	—	2013p	876p	417.0	3.1
♥Imperial Oil	18½xd	—	28⅛	18	3,779	5.0
Inco	18¼xd	—	23⅛	12⅛	1,713	3.3
♥Int Corona	347p	—	889p	316p	671.8	1.5
♥Muscocho	3p	—	47⅛p	20	—	—
♥N A Tire Recycling	61p	−4	88p	34½p	1.79	—
Nova Corp Alberta	349pxd	−9	484p	308p	1,046	3.7
♥Rio Algom	900p	—	1081p	701p	377.4	5.0
Royal Bk Can	1137p	—	1450p	1022p	3,602	5.5
♥TVX Gold	188p	—	280p	152p	27.4	—
♥Tara Pure	2p	—	15p	1p	—	—
Toronto-Dom	784p	—	1048p	736p	2,880	5.4
♥Trans Can Pipe	778p	—	878p	719p	1,198	6.0

BANKS

Notes	Price	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	£14⅛	—	£14⅛	£9⅜	3,724	6.4	♦
ANZ A$ g	172	−4	199½	119½	2,104	6.1	13.1
Abbey National g	288	−5	311	211	3,813	5.2	8.5
Allied Irish I£ †	183	—	186	135	1,884	5.7	11.9
Anglo Irish £1 g	48	—	59½	40	48.1	10.0	5.6
Banco Bilbao Pta	£18⅝	—	£18⅝	£12½	3,809	5.2	7.1
Banco de San Pta	£30⅛	—	£30 1/16	£21 1/16	3,348	4.4	8.8
Bk Ireland I£ †h	143	—	173⅛	115⅛	678.3	7.4	23.4
Bank Leumi Shk	£19¼	—	£19½	£19	139.8	—	—
Bank Leumi (UK)	340	—	350	340	25.4	6.3	—
Bank Scotland †h	98	−2	125	91	1,129	8.6	21.3
9¼pc Pf	104¾	—	118	98½	104.8	12.3	—

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HEALTH & HOUSEHOLD - Cont.

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+or-	1991/92 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc		84	—	116	83½	14.8	—	—
Cap		15	-1	58	12½	—	—	—
Stepped Pf	t	128½	—	133½	113	8.5	—	—
Zero Div Pf		168½	-½	172½	141	—	—	—
Warrants		4½	—	19	3½	—	—	—
Scot Value		66	—	88	46¾	3.6	56.3	0.5
Sec Alliance	†	1140	-19	1256	882	4.1	1305.1	12.1
Second Market	s	233xd	—	236	199	8.8	288.6	18.6
Sec Tst Scot	†	63½	-1½	76	57½	[illegible]	[illegible]	7.3
Select Assets		98	-1	102	71	1.2	131.0	25.1
Eq Ind SerI		109xd	-1	121	89	6.2	—	—
Eq Ind SerII		109xd	-1	121	89	5.2	—	—
Shires	†	195	-1	259	191	[illegible]	214.0	8.8
11pc Cv Ln '03/04		£96½	-2	£120½	£95½	11.5	—	—
Sum Select		88	-1	98	78	1.8	104.4	15.6
Warrants		18	—	31	17	—	—	—
Smaller Cos		67	-1	88	60	5.8	77.8	12.6
Warrants		18	—	25	8	—	—	—
Sphere Inc		15	—	33	14¾	34.4	20.8	30.8
Zero Div Pf		60½	—	60¾	58¾	—	—	—
Warrants		8¼	—	9½	6¾	—	—	—
Stratton		147	—	168	120	1.7	182.0	19.1
Summit		48	—	119	38	4.2	108.0	60.0
TR City of Lon	M	98xd	-1	121¼	90	8.5	105.4	7.1
TR Euro Growth	s	85	—	104	78	1.6	101.3	16.1
Ptg Sub	s	50	—	58	40	2.7	—	—
TR Far East Inc	M	87	-3	94	56	8.8	99.3	11.4
Warrants		13	—	23	12	—	—	—
TR High Inc		91xd	—	115	85	8.8	92.0	1.1
Sub	0	28	—	35	24	7.1	—	—
TR Pacific		88	-2	92	49	0.4	94.6	7.0
TR Prop		20¼	-1	37	20¼	9.5	31.4	35.5
TR Smaller		119	-2	155	98	4.1	138.5	14.0
TR Technology	M	28	-1	82	20	10.8	94.3	72.4
Stepped Pf		95	—	[illegible]	70½	7.7	—	—
Zero Pf		165	-½	174½	117½	—	—	—
Temple Bar		241	-1	278	210	7.2	269.1	10.5
6pc Cv Ln 2002		£113½	—	£115½	£102½	5.3	—	—
Templeton Em		282	-1	285	92	1.7	200.1	-4.5
Warrants		95	—	98	27	—	—	—
7pc Cv Ln 2001		£197½	—	£200½	£90½	6.6	—	—
Thornton Asian		65	-2	72	54	1.2	72.8	21.8
Warrants		6	+½	18	6	—	—	—
Thornton Pan Euro		59xd	—	91	35	6.1	30.7	16.4
Warrants		3	—	18	3	—	—	—

MERCHANT BANKS

	Notes	Price	+or-	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)		28	—	88	23	48.5	—	—
Bategs 8pc Cn 2nd Prf		87½	-½	98½	75	18.9	[illegible]	—
9¾pc Non-Cum Prf		108¼	-½	109½	100	42.7	12.2	—
Brown Shipley		138	[illegible]	270	135	21.5	7.5	—
Close Bros	†	251	—	270	225	93.5	4.7	11.2
Hambros	†	222	[illegible]	302	204	383.1	7.7	8.8
7½pc Cv Pf		94	-6	125	90	141.8	11.1	—
Joseph (L)		329	—	[illegible]	318	[illegible]	6.6	—
Kleinwort Benson		238	—	377	[illegible]	278.9	10.0	15.1
Rea Bros		28	—	48	24	11.8	2.4	17.8
Schroders		[illegible]	-5	[illegible]	640	892.4	2.3	[illegible]
N/V		[illegible]	-8	[illegible]	423	116.2	2.7	[illegible]
Singer & Fried		43	—	56	33	82.7	7.8	♦
Warburg (SG)	†	495	+7	593	314	845.3	4.7	9.5
6pc Cv Pf		152	+1	282	109	[illegible]	5.3	—
Wintrust		215	—	353	213	18.2	5.8	6.4

METALS & METAL FORMING

	Notes	Price	+or-	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
ASW		115	-4	278	115	76.7	10.4	♦
Apollo Metals		121	-1	149	113	15.4	3.5	12.2
Ash & Lacy		145xd	—	188	86	37.4	6.8	♦
Barrett (H)		24	—	113	23	18.4	11.1	55.5
Billam (J)		104	[illegible]	118	[illegible]	1.68	5.5	5.8
Brit Steel		68	+1	[illegible]	61	[illegible]	17.2	—
CI		16	—	36	15	12.8	17.1	3.8
Castings	†	118	-1	139	76	25.2	[illegible]	[illegible]
Chamber & Hill		90	—	109	65	6.88	8.5	5.0
Cohen (A)		380	—	535	350	6.49	8.8	38.6
Cook (Wm)	†	258	—	324	203	58.1	7.2	7.1
Cooper (F)		50	-2	86	46	17.8	11.0	23.5
Cronite		29	—	48	12	[illegible]	—	—
Dowdebrae		36	—	38	27	6.12	3.8	13.1
Firth (GM)	‡	27	-1	48	[illegible]	[illegible]	[illegible]	—
Garton		103	-2	132	90	8.82	9.5	♦
Glynwed Intl		228	+3	287	172	488.5	7.0	♦
Johnson & Firth		64½	-½	73	44	78.4	7.3	10.9
Johnson Matthey		377	+1	[illegible]	283	[illegible]	3.3	14.7
Lee (A)		65	-1	141	[illegible]	28.2	9.3	42.5
Linread		[illegible]	—	125	61	7.57	7.4	♦
Manganese Bze		87	—	133	83	14.8	1.5	60.9
Meteor		131	—	198	130	20.2	5.0	7.7

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro SS

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	283.9	283.9	303.2	-4.2	0.76
(Accum Units) ♥	5	334.2	334.2	356.9	-4.9	0.76
British	5	748.4	765.7xd	810.1	-6.1	6.18
(Accum Units)	5	1256.1	1284.1	1358.5	-16.7	6.18
European	5	343.2	343.2	364.6	+0.4	1.38
(Accum Units)	5	372.0	372.0	395.2	+0.4	1.38
Japan	5	91.44	91.44	97.30	-1.96	-
(Accum Units)	5	92.17	92.17	98.08	-2.02	-
New Pacific	5	193.2	193.2	206.2	-2.7	1.67
(Accum Units)	5	198.4	198.4	211.8	-2.7	1.67
PEP Apr 1	5	141.6	143.0	151.3	-0.7	-
Mngd Equity	5	120.1	121.5	128.5	-0.6	2.89
Mngd Equity Acc	5	127.4	128.9	136.3	-0.7	2.89
Mngd Cash	0	95.51	95.51xd	95.51	+0.02	9.63
(Accum Units)	0	120.0	120.0	120.0	+0.10	9.63
Majority Stlg	1	99.58	99.58xd	100.57	+0.02	9.48
Majority Stlg Acc	1	110.45	110.45	111.55	+0.02	9.48
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International Mar 13	0	50.61	50.61	51.01	...	2.69
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham 0403 232323						
Equity	6	569.3	577.2	617.3	-4.1	3.36
North America	6	83.15	83.15	88.93	-2.02	0.39
Far East	6	81.91	81.91	87.60	-1.98	0.74
W'wide Bond	6	47.67	47.67xd	50.71	+0.09	5.80
European	6	68.70	68.70	73.48	-0.67	1.57
Equity Income	6	61.28	61.28	65.54	-0.55	6.55
Portfolio	6	55.94	55.94xd	59.83	-0.83	2.49
Broker Trusts						
Worldwide Growth	6	47.00	47.00	50.00	...	2.23
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						
American Growth	6	26.50	26.50	28.35	-0.66	0.60
Managed Assets	6	96.29	96.96	103.71	-0.68	4.35
UK Income	6	28.84	29.25	31.29	-0.21	5.19
[illegible]						

	Bid Price	Offer Price	+ or -	Yield Gross
M & G Securities Ltd				
Charibond Apr 6	101.68		+0.4	10.6
(Accum Units)	615.51		+1.9	10.6
NAACIF Apr 7	39.50		-0.2	9.81
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Apr 7	123.4	132.3	---	2.85
UK Small Co † Apr 7	484.3	533.4	---	3.76
Fixed Interest † Apr 7	110.8	116.7	---	8.58
US Small Co Apr 7	167.0	178.6	---	0.00
Managed Apr 7	105.3	112.7	---	3.49
Intl Bond Apr 7	117.9	124.3	---	10.32
Japan Apr 7	58.62	62.51	---	4.69
European Apr 7	93.85	100.30	---	1.69
Nth American Apr 7	119.9	129.0	---	1.23
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Exmt Apr 8	55.80	58.04	-0.77	1.77
Euro Exmt Apr 8	54.73	57.47	+0.46	2.41
Fixed Int Ex Apr 8	45.62	47.79	-0.12	9.11
Japan Exmt Apr 8	35.57	37.00	-2.29	0.90
Managed Ex Apr 2	43.35	45.09xd	---	4.42
SE Asia Exmt Apr 8	75.35	79.12xd	-1.30	2.51
Sm Cos Exmt Apr 8	34.02	35.73	-0.48	3.47
UK Eqty Ex Apr 8	40.39	42.41	-1.89	4.22
Phillips & Drew Fund Management Ltd				
Small Co's Mar 4	656.40	698.79	---	4.04
Do Accum	761.43	810.61	---	4.04
Int. Exmt Apr 2	187.04	191.12xd	---	1.49
UK Index Mar 4	1135.99	1150.66	---	4.53
Do Accum	1258.52	1279.91	---	4.53
Convertible Apr 6	91.04	93.97	---	8.64
World ex UK Index Mar 31	762.35	771.32	---	2.09
Do Accum	762.35	771.32	---	2.09
Japan Index Mar 31	477.26	484.54	---	0.86
Do Accum	479.15	486.45	---	0.86
USA Index Mar 31	1058.50	1066.66	---	2.81
[illegible]				

INSURANCES

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Norwich Union Life Insurance Soc.–Contd.				
Pensionvestor* & Unit-Linked Plus*				
Mixed Fund	424.4	446.7	-4.3	-
Ordinary Share Fund	631.5	664.7	-15.9	-
International Fund	164.5	173.2	-5.7	-
Property Fund	258.9	272.5	+0.6	-
Fixed Interest Fund	389.2	409.7	+0.4	-
Index-Linked Sec Fund	187.6	197.5		-
Deposit Fund	279.5	294.2	+0.6	-
Norwich Units Mar 14	1048.63			
*Prices as at April 7				
Jersey Investment Plan				
With Profits Fund	123.34	129.83	+0.03	-
Intl Equity Fund	89.5	94.21	-1.56	-
Intl Bond Fund	121.09	127.46	+0.31	-
Norwich Union Pensions Management Ltd				
Surrey Street, Norwich NR1 3NG 0603 683335				
Group Pooled Pensions				
Balanced Managed Fd.	305.98	311.27	-0.49	-
Growth Managed Fd.	101.04	102.90	-0.26	-
Sentinel Managed Fd.	101.26	102.56	-0.06	-
Prices as at April 6				
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA 0733 63212				
Prop. Dist. (Gross)	134.1	141.1		-
Prop. Acc. (Gross)	255.5	269.0	+0.1	-
Equity (Gross)	819.2	862.3	-5.8	-
Managed (Gross)	576.8	607.1	-3.4	-
Prop. Acc. (Net)	122.0	128.4		-
Equity (Net)	191.0	201.0	-1.3	-
Managed (Net)	178.5	187.9	-1.0	-
[illegible]	161.4	169.9	-1.1	-
Gilt & Fxd Interest	131.2	138.2	+0.3	-
Money Fund	137.8	145.0		-
Mixed Fund (Cap)	112.5	118.5		-
Mixed Fund (Acc)	115.9	122.0		-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret. Man (Series 1)	629.7	662.9	-3.5	-
[illegible]	213.5	224.8	-1.2	-
Ret Cash	192.9	203.1	+0.1	-
Pens Mixed Fd (Cap)	124.7	131.3		-
Pens Mixed Fd (Acc)	128.6	135.4		-

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn.–Contd.				
Fixed Interest Ord.	216.2	227.6	+0.5	-
Fixed Interest Init.	158.9	167.3	+0.4	-
Deposit Ord.	184.1	193.8		-
Deposit Init.	135.3	142.4		-
Pension Funds				
Managed Ord	438.6	461.7	-3.6	-
Managed Init.	322.4	339.4	-2.7	-
Equity Ord	655.8	690.3	-4.3	-
Equity Init.	482.0	507.4	-3.2	-
Pen Ind Lkd Gilt Ord	177.7	187.1	+0.2	-
[illegible]	136.4	143.6	+0.1	-
Overseas Equity Ord.	302.6	318.5	-6.4	-
Overseas Equity Init.	222.4	234.1	-4.7	-
Property Ord	278.8	293.5		-
Property Init.	204.9	215.7		-
[illegible]	273.8	288.2	+0.6	-
Fixed Interest Init.	201.3	211.9	+0.5	-
Deposit Ord	262.9	276.7	+0.1	-
Deposit Init.	193.2	203.4		-
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Mar 11	247.7	258.18	-4.01	-
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3280				
Prudential Managed Funds				
Discretionary Mar 02	£178.65	184.17		-
Equity Mar 02	£200.63	207.52		-
International Mar 02	£27.71	28.29		-
Intl Bond Mar 02	£14.70	14.89		-
Fixed Int Mar 02	£98.56	99.68		-
Index Linked Mar 02	£70.74	71.63		-
Property Mar 02	£107.99	114.02		-
Cash Mar 02	£20.093	20.0951		-
Pru-Linked Retirement Plan				
Managed Apr 08	428.5	446.4	-5.1	-
Cash Apr 08	277.2	288.8	+0.6	-
Prudential Pensions Investment Account				
Pens Mngd Apr 08	171.6	184.7	+0.8	-
Pens UK Eq Apr 08	298.2	321.7	+2.4	-

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

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ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen takes centre stage

THE YEN took centre stage in London yesterday, as another steep fall in Tokyo stocks prompted worries that Japanese banks would repatriate their money to prop-up weakened balance sheets, *Emma Tucker writes.*

The Nikkei's 616 point drop in Tokyo prompted the market to dwell on *three scenarios*: that Japanese investors would move funds abroad; that foreign investors would move out of yen; that Japanese institutions would bring their money *home*. The latter argument dominated.

"Repatriation has been the buzz-word all day and it's shaken a lot of people out of long mark/yen positions," said one US bank trader.

A modest rally by the dollar in the morning was stopped when Wall Street opened. A sharp 50 point slide of the Dow Jones average, on top of Tuesday's 62 point plunge, was just another factor making investors nervous about holding US assets - they are already worried about faltering Tokyo stock prices, a feeble US recovery and political concerns in Europe.

By mid-afternoon the dollar stood at DM1.6255/65 after a DM1.6220/30 finish in Asia and at Y132.25/32 from Y132.32/39. It closed in London at DM1.6255.

Mr Steven Barrow, an analyst at Chemical Bank in London, *said no clear trend for the* dollar emerged yesterday.

"The market is still unclear about the US recovery and what sort of momentum it has," he said.

Meanwhile, sterling continued to look perky against the D-mark in the face of political uncertainty. Rumours that an NOP poll would put the Conservatives 3 points ahead of the Labour Party swept through the markets in the morning, buoying up the UK currency even though the findings could not be confirmed until the evening.

"It was an obviously silly rumour, but perhaps it helped pull the pound up a bit," said one analyst.

The UK currency opened at DM2.8392, rose to a high of DM2.8454 in late trading, to close at DM2.8425. On the US dollar it was static at the $1.75 mark for most of the session.

The escudo, still a very volatile currency, ended its third day in the ERM on a softer note at DM86.07/12 from DM85.70/75 on Wednesday night. Traders said the slip may have helped sterling.

"Perhaps the market was anxious that the escudo could put pressure on sterling by rising strongly within the EMS, but that has not happened," said an analyst.

It remained the EMS grid's second highest currency, after the Spanish peseta, but slipped back to 4.69 per cent above its pivot rate against sterling from 5.27 per cent.

However, despite its gains elsewhere, the pound ended against the Spanish currency at Pta180.58/62, the lowest level permitted by the ERM.

£ IN NEW YORK

Apr 8	Latest	Previous Close
£ Spot	1.7475-1.7485	1.7515-1.7525
1 month	0.94-0.93cpm	0.97-0.95pm
3 months	2.79-2.77pm	2.83-2.80pm
12 months	9.95-9.85pm	10.07-9.97pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr 8	Previous
8.30 am	90.0	90.0
9.00 am	90.0	90.0
10.00 am	90.0	90.1
11.00 am	90.0	90.2
Noon	90.0	90.1
1.00 pm	90.1	90.1
2.00 pm	90.1	90.2
3.00 pm	90.1	90.1
4.00 pm	90.1	90.1

CURRENCY MOVEMENTS

Apr 8	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.1	-21.5
U.S. Dollar	64.3	-14.0
Canadian Dollar	100.8	-1.3
Austrian Schilling	110.3	+12.6
Belgian Franc	111.9	-1.4
Danish Kroner	109.2	+3.4
D-Mark	119.5	+25.5
Swiss Franc	105.4	+13.4
Dutch Guilder	114.9	+16.6
French Franc	104.3	-12.0
Lira	98.8	-19.9
Yen	138.9	+71.1
Peseta	107.0	-18.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Apr.7

CURRENCY RATES

Apr 8	Bank ♦ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.787599	0.717443
U.S. Dollar	3.50	1.37436	1.25624
Canadian $	7.49	1.63288	1.49317
Austrian Sch.	7.50	15.7694	14.3651
Belgian Franc	8.50	46.0479	41.9930
Danish Krone	9.50	8.68309	7.92186
D-Mark	8.00	2.24103	2.04114
Dutch Guilder	8.50	2.52319	2.29829
French Franc	10¼	7.58647	6.91310
Italian Lira	12	1690.94	1540.24
Japanese Yen	3.75	182.899	166.012
Norway Krone	-	8.79347	8.02374
Spanish Peseta	-	142.298	129.593
Swedish Krona	10.00	N/A	7.40768
Swiss Franc	7.00	2.05948	1.87431
Greek Drach.	19	262.503	239.214
Irish Punt	-	0.842907	0.767124

♦ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Apr 7

OTHER CURRENCIES

Apr 8	£	$
Argentina	1.7300 - 1.7330	0.9900 - 0.9910
Australia	2.2990 - 2.3010	1.3145 - 1.3155
Brazil	3650.65 - 3653.10	2088.95 - 2089.15
Finland	7.7850 - 7.8070	4.4550 - 4.4580
Greece	330.300 - 335.850	188.800 - 191.820
Hong Kong	13.5100 - 13.5230	7.7320 - 7.7340
Iran	2503.00*	1435.00*
Korea(Sth)	1349.20 - 1370.95	772.80 - 782.00
Kuwait	0.51400 - 0.51500	0.28400 - 0.28450
Luxembourg	58.35 - 58.45	33.35 - 33.45
Malaysia	4.4635 - 4.4715	2.5550 - 2.5570
Mexico	5277.75 - 5289.55	3058.00 - 3059.00
N Zealand	3.2135 - 3.2180	1.8410 - 1.8435
Saudi Ar	6.5355 - 6.6125	3.7495 - 3.7505
Singapore	2.8775 - 2.8845	1.6490 - 1.6510
S.Af (Cm)	5.0000 - 5.0000	2.8685 - 2.8700
S.Af (Fn)	5.9675 - 6.0875	3.4190 - 3.4785
Taiwan	44.10 - 44.70	25.30 - 25.40
U.A.E.	6.3995 - 6.4760	3.6715 - 3.6735

*Floating rate. Iran Official rate £115.20 $66.70

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 8	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.593	-3.02	6.15	52
Portugese Escudo	178.735	175.384	-1.87	4.91	30
Belgian Franc	42.4032	41.9930	-0.97	3.95	38
Dutch Guilder	2.31643	2.29829	-0.78	3.76	30
D-Mark	2.05586	2.04114	-0.72	3.69	34
Irish Punt	0.767417	0.767124	-0.04	2.99	-4
Italian Lira	1538.24	1540.24	0.13	2.81	-15
French Franc	6.89509	6.91310	0.26	2.68	-25
Danish Krone	7.84195	7.92186	1.02	1.91	-35
Sterling	0.696904	0.717443	2.95	0.00	-58

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

Apr 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7445 - 1.7535	1.7485 - 1.7495	0.94-0.92cpm	6.38	2.78-2.75pm	6.32
Canada	2.0755 - 2.0815	2.0775 - 2.0785	0.64-0.57cpm	3.49	1.88-1.79pm	3.53
Netherlands	3.1935 - 3.2075	3.1975 - 3.2075	¼-¼cpm	0.94	1¼-¾pm	1.17
Belgium	58.30 - 58.60	58.35 - 58.45	6-1cpm	0.72	19-4pm	0.79
Denmark	11.0870 - 11.0905	11.0325 - 11.0425	½-¼orepm	0.34	1¾-¾pm	0.88
Ireland	1.0670 - 1.0695	1.0675 - 1.0685	0.02pm-0.01cdis	0.06	par-0.07dis	-0.13
Germany	2.8375 - 2.8465	2.8400 - 2.8450	¼-¼pfpm	0.79	¾-⅝pm	0.97
Portugal	243.40 - 245.30	244.30 - 245.30	8-18cdis	-0.59	36-83dis	-0.97
Spain	180.55 - 180.85	180.60 - 180.70	30-39cdis	-2.29	69-82dis	-1.67
Italy	2140.85 - 2148.10	2144.25 - 2145.25	3-4lirendis	-1.96	7-10dis	-1.99
Norway	11.1470 - 11.1905	11.1750 - 11.1850	½-¼orepm	0.34	½-¼pm	0.11
France	9.6120 - 9.6395	9.6225 - 9.6325	½-¼cpm	0.47	2-1¾pm	0.75
Sweden	10.2980 - 10.3366	10.3175 - 10.3275	2¼-1¾oredis	-1.74	3¼-4dis	-1.38
Japan	230.80 - 232.25	231.25 - 232.25	1¼-1ypm	5.83	3⅜-3⅛pm	6.04
Austria	19.95 - 20.02	19.96 - 19.99	2¼-1¼gropm	1.01	7¼-5¾pm	1.28
Switzerland	2.6035 - 2.6135	2.6025 - 2.6125	½-¼cpm	1.73	1¾-1¼pm	2.01
Ecu	1.3885 - 1.3940	1.3890 - 1.3900	0.08-0.04cpm	0.52	0.22-0.16cpm	0.55

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.56-5.50pm. 12 Month 9.95-9.85pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Apr 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7445 - 1.7535	1.7485 - 1.7495	0.94-0.92cpm	6.38	2.78-2.75pm	6.32
Ireland†	1.6325 - 1.6400	1.6355 - 1.6365	0.88-0.76cpm	6.34	2.56-2.49pm	6.17
Canada	1.1870 - 1.1900	1.1885 - 1.1895	0.28-0.30cdis	-2.93	0.63-0.66dis	-2.16
Netherlands	1.8230 - 1.8385	1.8300 - 1.8310	0.82-0.86cdis	-5.47	2.42-2.46dis	-5.33
Belgium	33.30 - 33.55	33.35 - 33.45	14.70-15.70cdis	-5.46	43.50-46.50dis	-5.39
Denmark	6.2860 - 6.3205	6.3075 - 6.3125	3.05-3.35oredis	-6.09	9.15-9.75dis	-5.99
Germany	1.6185 - 1.6300	1.6250 - 1.6260	0.76-0.77pfdis	-5.65	2.23-2.25dis	-5.51
Portugal	139.80 - 140.70	140.35 - 140.55	63-73cdis	-5.80	235-260dis	-7.04
Spain	102.95 - 103.75	103.20 - 103.40	71-74cdis	-8.42	210-218dis	-8.29
Italy	1221.75 - 1230.70	1226.00 - 1226.50	0.00-0.50liredis	-0.07	2.39-2.49dis	-0.80
Norway	6.3640 - 6.4040	6.3900 - 6.3950	3.10-3.40oredis	-6.10	9.25-9.75dis	-5.94
France	5.4830 - 5.5205	5.5025 - 5.5075	2.70-2.75cdis	-5.94	7.91-8.01dis	-5.78
Sweden	5.8780 - 5.9175	5.9000 - 5.9050	3.85-4.10oredis	-8.08	11.50-11.75dis	-7.81
Japan	131.70 - 133.20	132.50 - 132.60	0.06-0.07ydis	-0.59	0.15-0.17dis	-0.48
Austria	11.3980 - 11.4425	11.4375 - 11.4425	5.00-5.40grodis	-5.45	14.50-15.70dis	-5.28
Switzerland	1.4855 - 1.4950	1.4910 - 1.4920	0.54-0.57cdis	-4.47	1.63-1.67dis	-4.43
Ecu	1.2535 - 1.2615	1.2565 - 1.2575	0.63-0.60cpm	5.87	1.86-1.80pm	5.82

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Apr 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8¾ - 8½	9¼ - 9⅛	10⅝ - 10⅜	10⅞ - 10⅝	10⅞ - 10⅝	11 - 10⅞
US Dollar	4¼ - 4	4⅛ - 4	4¼ - 4⅛	4¼ - 4⅛	4⅝ - 4½	4⅞ - 4¾
Can. Dollar	6¾ - 6½	6⅝ - 6½	6⅝ - 6½	7⅛ - 6⅞	7⅜ - 7¼	7⅝ - 7½
Dutch Guilder	9¾ - 9½	9¾ - 9½	9¾ - 9⅝	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
Swiss Franc	8¾ - 8½	8¾ - 8½	8¾ - 8⅝	8¾ - 8⅝	8¾ - 8⅝	8⅝ - 8½
D-Mark	9⅝ - 9½	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝
French Franc	9⅞ - 9¾	9⅞ - 9¾	10 - 9⅞	10 - 9⅞	10 - 9⅞	10 - 9⅞
Italian Lira	12 - 10	12¼ - 11¾	12¼ - 11¾	12¼ - 11¾	12¼ - 11¾	12¾ - 12½
Belgian Franc	9¾ - 9½	9¾ - 9½	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
Yen	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½
Danish Krone	10¼ - 10	10¼ - 10	10¼ - 10	10¼ - 10	10¼ - 10	10¼ - 10
Asian $Sing	3 - 2¾	3¼ - 3	3½ - 3¼	3½ - 3¼	3¾ - 3½	4 - 3¾
Spanish Peseta	12¼ - 12¼	12½ - 12¼	12¾ - 12½	12¾ - 12½	12⅞ - 12⅝	12⅞ - 12⅝

Long term Eurodollars: two years 5⅝-5½ per cent; three years 6¼-6⅛ per cent; four years 6⅝-6½ per cent; five years 7⅛-7 per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

Apr.8	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.749	2.843	231.8	9.628	2.608	3.203	2145	2.078	58.40	1.390
$	0.572	1	1.626	132.5	5.505	1.491	1.831	1226	1.188	33.39	0.795
DM	0.352	0.615	1	81.53	3.387	0.917	1.127	754.5	0.731	20.54	0.489
YEN	4.314	7.545	12.26	1000.	41.54	11.25	13.82	9254	8.965	251.9	5.997
F Fr.	1.039	1.817	2.953	240.8	10.	2.709	3.327	2228	2.158	60.66	1.444
S Fr.	0.383	0.671	1.090	88.88	3.692	1	1.228	822.5	0.797	22.39	0.533
N Fl.	0.312	0.546	0.888	72.37	3.006	0.814	1	669.7	0.649	18.23	0.434
Lira	0.466	0.815	1.325	108.1	4.489	1.216	1.493	1000.	0.969	27.23	0.648
C$	0.481	0.842	1.368	111.5	4.633	1.255	1.541	1032	1	28.10	0.669
B Fr.	1.712	2.995	4.868	396.9	16.49	4.466	5.485	3673	3.558	100.	2.380
Ecu	0.719	1.258	2.045	166.8	6.927	1.876	2.304	1543	1.495	42.01	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE EURO FUTURES OPTIONS

LIFFE EUROMARK OPTIONS

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

PHILADELPHIA SE £/$ OPTIONS

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
105	2.93	-	-	0.04	-	-
106	2.01	-	-	0.10	0.57	-
107	1.18	-	2.09	0.25	0.84	-
108	0.55	1.13	1.55	0.61	1.08	-
109	0.20	0.69	-	-	1.57	-
110	0.06	0.42	-	2.11	-	-
111	0.02	0.24	-	-	-	-
Open int.	132,030	34,307	4,950	97,404	22,971	1,250

Estimated volume 28,658 Total Open Interest 293,912

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Lawrie	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Equatorial Bank plc	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Exeter Bank Limited	11	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Financial & Gen. Bank	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	First National Bank Plc	14	Provincial Bank PLC	14
Bank of Cyprus	10.5	● Robert Fleming & Co	10.5	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	Robert Fraser & Ptns	11	Royal Bk of Scotland	10.5
Bank of India	10.5	Girobank	10.5	● Smith & Williamson Secs	10.5
Bank of Scotland	10.5	● Guinness Mahon	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Hambros Bank	10.5	TSB	10.5
Barclays Bank	10.5	Hampshire Trust Plc	13.5	Unitbank plc	10.5
Benchmark Bank	11	Heritable & Gen Inv Bnk	10.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	● Hill Samuel	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	C. Hoare & Co	10.5	Western Trust	10.5
CL Bank Nederland	10.5	Hongkong & Shanghai	10.5	Westpac Bank Corp	10.5
Citibank NA	10.5	Julian Hodge Bank	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5				

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MONEY MARKETS

Rates still soft

FRISKY trading at the short end of the UK money markets sent the June sterling contract higher in the last day before polling.

"It has been a whippy day," said one dealer. "Short sterling has been up and down and all over the place."

The June contract touched a high of 89.17 from an opening of 88.93 in very high volumes of trading.

During the mid-morning, rumours of an opinion poll putting the Conservatives three points ahead of Labour *excited* the market.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Since the pollsters, still crunching the findings of the poll, were unable to confirm the rumour the market had to wait until after the close for *the final* outcome.

Nevertheless, the rumour permeated dealing rooms, creating a grain of optimism. Rates, helped by large amounts of money "sloshing around" the short end, held their earlier improvement.

The three month sterling interbank rate opened ⅛ point down at 10⅞-10¾ per cent after touching a high of 11⅛ per cent last week. It eased further to close at 10⅝-10¹¹⁄₁₆ per cent.

One year rates also eased to 11-10⅞ per cent from Tuesday's close of 11⅛-11⅙.

The market is still expecting base rates - currently at 10.5 per cent - to rise by at least half a percentage point after the election. There seems little doubt that the foreign exchange market will test a Labour chancellor's *commitment to keeping* sterling at its current value within the ERM, but opinion is divided as to whether rates will have to rise. Some dealers believe central bank intervention will be sufficient to shore-up sterling without the need for a base rate rise.

The Bank of England continued to pursue its aim of keeping the market calm *during the last few day of* political uncertainty.

The Bank's initial forecast of liquidity shortage was £550m which it later revised to £700m. It operated in the morning, buying £650m of band-1 bank bills at 10⅜ per cent. The shortage was further revised in the afternoon, this time to £800m and the Bank bought a further £25m of band-1 bank bills at the same rate.

Though the market was apparently left some £125m under-relieved, dealers said there was no tightness in the closing stages.

Overnight rates closed at 8¼-8¾.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr 8) 3 months US dollars		6 months US Dollars	
bid 4⅛	offer 4¼	bid 4¼	offer 4⅜

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,820 Set by GRIFFIN

ACROSS

1 When people seeking a seat get cross? (8)
5 Trembling pal by tomb not initially displaying coolness! (6)
9 Begged a journalist to accept apple pie (8)
10 Including a ship of one dimension (6)
12 Text you sound engineers get from the Bible (9)
13 Sailor carries one on a head-dress (5)
14 Starts marketing jewels for timid people (4)
16 MP at home during strike (7)
19 Angrily broadcasting it early (7)
21 Besides, it's like the Labour leader in love! (4)
24 MP, a man, embraces a little girl (5)
25 They follow awfully stern head (9)
27 24's wife left as usual (6)
28 Overlook party team in shuffle (8)
29 Reckoning to take me right on time (6)
30 Fiancee proposed (8)

DOWN

1 Pass to be renewed, please (6)
2 Divorcee left ship abroad (6)
3 Walk back, parking by market (5)
4 Excessive usage including universal love poetry (7)
6 Old man can sing medley outside the pictures (9)
7 Duty cycle salesman to ring up telephonist (8)
8 Forbids torture in a military building (8)
11 Glance up store (4)
15 Canned beer drinker may be! (9)
17 Is mental breakdown causing illnesses? (8)
18 Spoil or conserve outside of plant (8)
20 Long pole superfluous for a time (4)
21 MP has turned blue (7)
22 Dead against fighting before advancing (6)
23 When caught stop on mount (6)
26 In her trains there's running water (5)

Solution to Puzzle No.7,819

HECUBA WHISTLER
PAINTED ADMIRAL
LADY FRITILLARY
SCOURS PEACOCK
SKIPPER STYMIE
HAIRSTREAK WASP
SWALLOW ROUNDEL
CROSSEYE BARRIE

WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices April 8

INDICES

NEW YORK

DOW JONES	Apr 7	Apr 6	Apr 3	Apr 2	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3213.55	3275.49	3249.11	3234.12	3290.25 (3/3)	3171.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	99.06	98.93	98.77	98.89	99.83 (6/2)	[illegible] (20/3)	99.01 (6/2/92)	54.99 (1/10/81)
Transport	1312.22	1383.33	1348.28	1366.59	1457.60 (20/2)	1312.22 (7/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	202.30	203.49	203.99	203.62	225.59 (3/1)	202.30 (7/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3291.59 (3295.84) Low 3207.51 (3238.37)

STANDARD AND POOR'S

	Apr 7	Apr 6	Apr 3	Apr 2	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	398.06	405.59	401.55	400.50	420.77 (15/1)	398.06 (7/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	474.78	484.34	479.14	477.10	499.27 (15/1)	474.78 (7/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	32.88	33.60	33.09	33.33	35.14 (15/1)	32.88 (7/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	220.00	223.79	221.66	221.51	231.85 (15/1)	220.00 (7/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	385.38	391.57	389.22	390.48	418.99 (12/2)	385.38 (7/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	581.61	596.29	590.01	593.82	644.92 (12/2)	581.61 (7/4)	644.92 (12/2/92)	54.87 (31/10/72)

	Apr 3	Mar 27	Mar 20	year ago (approx.)
Dow Industrial Div. Yield	2.85	2.86	2.80	3.38

	Apr 1	Mar 25	Mar 18	year ago (approx.)
S & P Industrial div. yield	2.64	2.62	2.61	2.88
S & P Ind. P/E ratio	28.56	28.78	28.91	17.95

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Waste Mangt	7,514,500	21½	—
Stewart Hat	3,590,900	12¾	- ⅛
Gen Motors	3,540,400	37¾	+ 1⅛
Adv Micro	3,300,100	17⅞	- 1⅛
Am T & T	3,210,200	41⅜	+ ⅛
Telefonos	2,785,400	54⅛	- 1⅛
RJR Nabisco	2,299,600	9⅞	- ⅛
Glaxo	2,074,500	26⅞	- ⅜
IBM	1,925,600	82⅞	- ⅛
Pep Boys	1,912,600	21⅞	- 1

TRADING ACTIVITY

† Volume (Millions)	Apr 7	Apr 6	Apr 3
New York SE	205.110	179.330	188.530
Amex	14.285	12.019	13.751
NASDAQ	210.065	153.122	193.926
NYSE			
Issues Traded	2,236	2,223	2,210
Rises	424	1,038	674
Falls	1,382	680	947
Unchanged	430	505	589
New Highs	18	18	12
New Lows	47	40	43

CANADA

TORONTO	Apr 7	Apr 6	Apr 3	Apr 2	1992 HIGH	1992 LOW
Metals & Minerals	2841.65	2875.32	2866.13	2862.60	3238.37 (16/1)	2841.65 (7/4)
Composite	3336.61	3385.95	3385.50	3395.90	3666.00 (16/1)	3336.61 (7/4)
MONTREAL Portfolio	1728.21	1760.00	1762.91	1768.15	1937.59 (16/1)	1728.21 (7/4)

Base values of all indices are 100 except NYSE All Common – 50, Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr	Apr	Apr	Apr	1992 HIGH	1992 LOW
WORLD M.S. Capital Intl (1/1/70) ($)	467.7	475.3	483.2	478.9		
Euro Top-100 (26/6/90)	902.03	914.55†	914.83	905.21		

**Saturday April 4: Taiwan Weighted Price: (c). Korea Comp Ex 589.83. ‡ Subject to official recalculation.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., ... and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia ... Closed. (u) Unavailable. † Corrected figure.

TOKYO - Most Active Stocks

Wednesday 8 April 1992

	Stocks Traded	Closing Prices	Change on day
Clarion	4.6m	820	+100
Nippon Steel	4.3m	251	-6
Japan Storage	4.2m	833	-75
Mitsubishi Heavy	3.9m	510	-30
Hitachi Zosen	3.6m	497	-45
Sumitomo Bank	3.6m	1,160	-120
Tokyo Gas	3.5m	370	-40
Meiji Milk Prod	3.4m	700	-30
TEAC	3.1m	555	+30
Mitsubishi Bank	3.1m	1,370	-150

3:00 pm prices April 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28	22¼	Ryland Grp	0.60	2.7	42	1012	22⅞	d22¼	22⅞	-⅛
- S -										
21	17½	S Anita Rt	1.72	9.7	19	46	18	17¾	17¾	-¼
18⅞	16¼	SCOR US Cp	0.28	1.6	10	6	17⅛	17⅛	17⅛	
29½	24⅜	SPS Techno	1.28	4.9	20	30	26⅞	26¼	26¼	-⅛
1	9/16	SaatchiSS	0.19	25.3	0	1367	[illegible]	¾	¾	
13	12⅛	Sabine Rit	1.41	11.0	8	75	12⅞	12¾	12¾	-¼
11⅞	9	Salecard	0.15	1.6	6	390	9¼	d9	9¼	
16	13⅛	Saleg'd Se			5	45	12⅞	d12¾	12⅞	-⅛
29¾	22⅝	SafetyKln	0.34	1.4	27	1082	26⅛	24⅞	25	-⅞
20¼	15⅞	Safeway			82	938	15⅜	d15	15¼	-⅛
4⅝	3¼	SafewayW96				74	3¾	d3¼	3½	-⅛
41⅞	29⅞	StJoePaper	0.20	0.5	40	84	37¼	36¾	36¾	-¼
34⅞	31⅜	StJoeLAP	1.72	5.5	12	19	31⅞	d31⅛	31¼	
75¾	66¼	St Paul's x	2.72	3.9	7	779	69⅝	68¾	69	-⅞
7⅞	2⅞	Salant Crp			2	85	6⅝	6¼	6⅜	
75⅛	60½	Sallie Mae	1.00	1.5	18	3096	65¼	64½	65¼	
14¼	13½	Salomon Br	1.61	12.3		1237	13⅜	d13	13⅛	-⅛
32½	27¼	SalomonInc	0.64	2.4		52864	27⅞	d26¾	27	-½
45⅞	42⅞	SanDgo G&E	2.88	6.8	12	323	42⅞	42½	42⅞	+⅛
3⅞	2⅞	SantaFeEDy x	0.40	13.9	20	27	3	2⅞	2⅞	
9¼	7	SantaFeEFs	0.16	1.9	29	773	8½	8⅜	8½	
36⅝	31⅛	SantaFePac	2.76	8.9	9	78	31⅞	d30⅞	30⅞	-⅞
14⅞	11⅛	SantaFeSm			21	2919	11⅝	d11	11½	
57	48¼	Sara Lee	1.00	2.0	18	3871	49⅞	d48⅝	48¾	-1
8½	1¾	Savin			0	82	2⅞	2¾	2¾	
3¼	⅞	Savin 0.80	0.80	71.1		10	1⅛	1⅛	1⅛	-⅛
44⅞	38⅝	Scana Corp	2.68	6.9	11	102	39¼	d38⅝	38¾	-½
47⅞	40¼	Scecorp x	2.72	6.7	12	3818	40⅞	40½	40½	-⅜
68	54⅝	ScheringPl	1.32	2.4	17	8511	34½	d53⅝	54⅛	-⅝

[illegible]

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
- X - Y - Z -										
[illegible]	[illegible]	Xerox	3.00	4.2	16	3728	71⅝	70	71½	[illegible]
85½	50½	Xerox4.125				280	82½	82⅛	82½	
29½	24⅞	Xtra 1.94	1.94	7.3		240	26¾	26½	26½	-⅛
37	28½	Xtra Corp	0.80	2.4	14	430	34	33¼	33⅜	-⅞
27	25¼	Yankee Egy	1.60	6.0	12	41	26⅝	26¼	26⅝	+⅛
1½	½	Zapata			31	761	1⅛	1⅛	1⅛	+⅛
11⅞	7¼	ZenithElec			4	716	8⅞	8½	8⅝	-⅛
17⅝	14½	Zenith Nat	1.00	6.2	7	35	16⅛	16	16	-⅛
6⅞	6	Zenix Inc	0.86	12.8		124	6⅝	6½	6⅝	
13¼	11⅛	Zero Corp	0.40	3.4	18	285	12⅜	11⅝	11⅞	-½
36	35¼	Zurn Ind	0.88	2.5	14	207	35⅞	d35¼	35⅜	-⅛
14⅞	12¼	Zweig Fund x	1.16	9.1		291	13	d12⅞	12⅞	-⅛
11	9⅞	Zweig Tot x	1.00	9.7		400	10½	10¼	10⅜	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices April 8

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Oriole	0.24	34	722	u33¾	31¼	32	-1⅛
OHI Corp	0.14	7	76	6¾	6½	6⅝	
Pall Corp	0.36	26	2075	25	d24	24⅞	+⅛
Pegasus G	0.10	32	283	12	12	11⅞	-⅛
Perini		44	42	12	11⅞	12	-⅛
Pet HMP	0.31	8	43	11	10⅞	11	+⅛
Phil LD	0.25	14	384	33⅞	33¼	33¾	
Pitney A	0.70	16	20	39¼	29	29	-⅛

[illegible]

NASDAQ NATIONAL MARKET

3:00 pm prices April 8

[illegible]

AMERICA

Dow falls for second day in nervous trading

Wall Street

CONTINUED WEAKNESS in Japanese stocks, concern that US markets are over-priced and another wave of index-related program selling pushed Wall Street sharply lower for the second day, *writes Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial Average was 49.19 lower at 3,164.36 on heavy volume after losing 61.94 to 3,213.55 on Tuesday.

Sentiment was decidedly negative, with declining issues leading advancing by a ratio of 5 to one on the big board. The Dow's lowest close of the year was 3,172.41 on January 2.

The declines were less dramatic in other market indices, which analysts said had started to correct ahead of the Dow. At 1 pm, the broadly-based Standard & Poor's 500 was down 4.89 at 393.16, while the Nasdaq composite tumbled 13.65 to 567.96.

Bank stocks were particularly hard hit by the erosion in their Japanese counterparts. Rumours that a Japanese bank had failed to make a payment on a swap contract hurt shares in J.P. Morgan and Bankers Trust, which dropped $1⅞ to $52½ and $2⅞ to $50¼ respectively.

In addition, BankAmerica tumbled $1⅞ to $38⅞ and Citicorp eased $⅛ to $14⅞.

IBM was one of the few blue chip issues to buck the downward trend yesterday morning, adding $1¼ to $83⅝. The improvement was attributed to a higher rating of the stock by Merrill Lynch.

A number of other blue chips fell yesterday morning in active trading. RJR Nabisco Holdings lost $⅛ to $9⅛, AT&T edged $1½ lower to $40¾, General Electric lost $1 to $73½ and General Motors fell $⅝ to $37½.

Wal-Mart continued to see active trading following the death of the company's founder earlier this week. The stock, which had moved higher immediately after the news of the death of Mr Sam Walton, lost $1 yesterday to $50⅞.

The weakness in technology and retail issues underscored the market's concern about the rate of economic recovery in the US.

Among big retailers, Sears eased $½ to $44¼, Woolworth lost $⅛ to $28¾ and the Limited fell $⅛ to $26⅞.

In the secondary market, Apple Computer dropped $1¼ to $56, Intel lost $¾ to $56 and Microsoft eased $¾ to $115¾.

Among other featured issues, Teledyne plunged $4⅝ to $23 after electronics equipment company posted first quarter operating profits of 21 cents a share, against 28 cents a year earlier.

Primerica, which owns Smith Barney Harris Upham, fell $1⅞ to $36¼, on fears that securities sector may not be able to maintain its record earnings.

Canada

TORONTO stocks settled into a narrow range at midday after a mid-morning pummelling sent the market tumbling by 37 points or slightly more than 1 per cent.

The TSE 300 composite index stood 36.2 lower at 3,300.6, with the utility index the only one of the 14 indices to sustain any gains.

Declines led advances by 405 to 102 on volume of 17.5m shares valued at C$192.8m.

Among active issues, Great-West Life fell C$¾ to C$14¼, Bombardier class B slipped C$⅛ to C$15⅜, Bank of Nova Scotia eased C$¼ to C$19⅜ and National Bank slipped C$⅛ to C$9.

Selective buyers spell end of a blind man's market

Damian Fraser on the stalling of the Mexican bolsa

The Mexican stock market, which rose an impressive 30 per cent in the first two months of the year, has shown its first sign of jitters. In March it inched up just 0.8 per cent, and so far this month the market has dropped by 7.2 per cent.

New issues cause much of the concern. In the past month Mexican companies have raised just under $2bn in the domestic and international markets, led by Grupo Financiero Bancomer for $837m, Cemex for $608m, and ICA in an initial offering of about $400m which is due to close this week.

Banacci, comprising Banamex, is expected to announce an offering for hundreds of millions of dollars, while the government intends to sell a further 5 per cent of Telmex for between $1.3bn and $1.5bn in May or June.

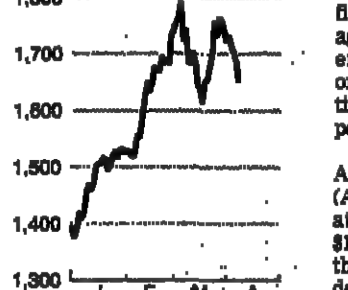
The Cemex offering suggests that US investors might finally have had their fill of Mexican paper, since it fell significantly short of the $700m expected. European demand proved high, but US investors, already substantial holders of Cemex, were less enthusiastic.

Stockbrokers are advising investors to choose their shares more carefully, warning that this is no longer a blind man's market. In its monthly report, Vector, the Mexican brokerage, says: "The real possibility of adjustments to the market underlines our strategy of selectivity." Likewise Mr Roger Frank of James Capel says: "This year it is a stock picker's market," and he advises clients to restrict themselves to construction stocks, Telmex, the telephone monopoly, and Cifra, the retail store.

Investors remain worried about the prospects for the North American Free Trade Agreement, which is unlikely to become law in the US this year. If negotiations break down, a signing next year becomes doubtful, and the market could fall further, says Mr Scott Kalb of Smith Barney in New York.

Similarly, there is the ever-present risk of bad economic or political news – from Mexico

Mexico



Source: Datastream

or the US – upsetting Mexico's delicate political and financial equilibrium. In particular, the credibility of Mexico's quasi-fixed exchange rate – crucial to gains made in the *bolsa* – depends on falling inflation and large capital inflows to finance the growing trade deficit ($11.18bn in 1991).

So far the financial evidence has vindicated the government's economic policy: economic growth slowed to 3.6 per cent at the end of last year, reducing fears of overheating; foreign inflows of capital easily cover the current account deficit; inflation, while much higher than the government's over-optimistic forecasts, is falling; and interest rates are 5 percentage points lower than in early January.

Best of all, corporate profits have beaten all expectations, keeping the market's prospective price/earnings ratio around 12.6 in spite of the whole market more than doubling in price last year. In 1991, average profits were up about 50 per cent in real terms.

Mexico has thus remained popular with international investors, which explains why its companies have been able to raise almost $2bn of equity in one month. Total foreign investment equalled $24.8bn at the end of March, according to figures from the Prime brokerage, up 32.4 per cent from the end of December, and about one fifth of market capitalisation (and a much higher proportion of the market float).

Investment in Mexican American Depositary Receipts (ADRs) increased from $2.2bn at the beginning of 1991 to $17.9bn at the end of February this year, reflecting the high demand for Mexican stock by investors who are not allowed or find it too cumbersome to invest directly in the Mexican *bolsa*. More than 20 Mexican companies now have stock traded in the US.

The trend represents a *de facto* integration of Mexico's stock market with Wall Street, so much so that Mexican share prices are often at the mercy of foreign investors. When the government recently announced the sale this year of another 5 per cent of Telmex, the Mexican stock market fell sharply as US investors sold their ADRs.

In the long run this dependence on Wall Street may ease as new Mexican pension funds provide domestic support. Until then, foreign investors will provide much of the impetus, and when they feel nervous, the *bolsa* inevitably falls.

EUROPE

Paris worst hit as bourses contain losses

PARIS was the worst hit on the Continent, as other bourses contained their losses, *writes Our Markets Staff.*

PARIS suffered more than other European bourses because of its gearing to Wall Street. The CAC 40 index fell 67.90 or 3.4 per cent to 1,907.48 as turnover accelerated to FFr3bn at the close from just FFr1.2bn at lunchtime.

Euro Disney was one of the day's most conspicuous fallers, losing FFr7.40 to FFr141.50 in trading of 2m shares. The stock has been depressed by an increasing number of sell notes from brokers and there were also reports that analysts and fund managers had not been impressed by their visit to the theme park this week. Worries about Euro Disney's rapid turnover of staff and fears of industrial action by Parisian RER train drivers and the domestic airline Air Inter also weighed on the stock.

Alcatel fell back FFr29 to FFr595 after its recent rise. After the close it reported a 20 per cent increase in net attributable profit to FFr6.18bn, ahead of expectations of FFr5.9bn.

FT-SE Eurotrack 100 - Apr 8							
Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1145.88	1145.38	1143.84	1143.10	1143.65	1144.14	1142.20	1143.45
Day's High 1145.94				Day's Low 1140.95			

Apr 7	Apr 6	Apr 3	Apr 2	Apr 1
1155.82	1155.59	1144.60	1149.08	1141.13

Base value 1000 (26/10/90).

FRANKFURT was cautious ahead of the result of arbitration in the public service sector pay dispute. The deadline was due to expire last night.

The DAX index closed down 19.41 or 1.1 per cent at 1,720.01, up from its intraday low of 1,717.52. The FAZ index, calculated at midsession, shed 9.43 to 702.06. Turnover fell to DM5.4bn from DM8.7bn.

News that Volkswagen was recalling 650,000 Golf and Jetta cars in the US to correct a problem connected with the cooling system pushed the shares down DM8.50 or 2.3 per cent to DM366.90. Volkswagen is understood to have made provision for the problem, which could cost up to $100 per car. Other car stocks were weaker: BMW was down DM8.5 at DM575 and Porsche DM3 lower at DM550.

BHF Bank became the latest bank to report strong 1991 earnings results with group net profit up 11 per cent. Its shares fell 40 pfg to DM433.60 in spite of news that the first quarter of 1992 had been positive and forecasts of steady growth for the rest of the year. Other bank shares were depressed: Deutsche Bank slipped DM7.5 to DM710.50 and Dresdner Bank was DM3 weaker at DM360.50.

The shipbuilding and engineering group Bremer Vulkan bucked the trend after it announced that it was to pay its first dividend in 15 years. It closed up DM1.30 at DM78.60.

MILAN continued to fall, depressed by the overnight declines in Tokyo and New York, and political uncertainty at home as the parties started consultations to form a government. The Comit index fell 6.66 or 1.3 per cent to 496.74 in turnover of around L100bn after L98.4bn.

Among leading stocks, Fiat fell L60 to L4,710, Montedison shed L22 to L1,325 and Generali dropped L480 to L28,300. San Paolo, the recently-listed bank, dropped L85 to L11,950.

Telecoms showed some resilience. Sip rose L3 to L1,444 after announcing a rise in the 1991 dividend, which came as a surprise to some analysts. Stet eased L39 to L2,109. Benetton lost just L30 to L13,320, supported by US buying.

AMSTERDAM was weakened by Wall Street. The CBS Tendency Index was 1.6 lower at 125.8 in turnover of Fl 600m.

Philips, which announced that it was to exercise its option to purchase 6m shares in Blockbuster of the US, the world's largest video rental company, finished 30 cents down at Fl 36.40.

A forecast of strong earnings in 1992 from Nijverdal-Ten Cate lifted its shares by Fl 2.80 to Fl 108.50. The plastics manufacturer also said it was launching a Fl 100m convertible bond. IHC Caland, the dredging-to-engineering group, put on Fl 1.20 to Fl 66.00 after telling a London presentation that it expects good 1992 earnings.

ZURICH closed 1 per cent lower with the SMI index down 23.4 at 1,827.1. Roche certificates eased SFr60 to SFr3,100 and Nestlé bearers were SFr70 weaker at SFr9,430.

BRUSSELS closed at its lowest level since mid-February. The Bel-20 index shed 17.73 to 1,170.54 in turnover of BFr970m.

LISBON bucked the global trend, the BTA index rising 13.8 to 2,094.2.

ASIA PACIFIC

Nikkei briefly breaches 17,000 in fresh drop

Tokyo

THE NIKKEI average dropped another 3.5 per cent yesterday, briefly breaching the 17,000 level in the last hour of trading, as investors were unnerved by Tuesday's weakness on Wall Street and the sharp decline in the Nikkei futures on the Chicago Mercantile Exchange, *writes Emiko Terazono in Tokyo.*

The 225-issue average was finally 616.02 lower at 17,175.53, after opening at the day's high of 17,742.67 and falling as low as 16,892.31 in the afternoon. The index last closed below 17,000 on November 7, 1986.

Volume for the session picked up to 320m shares from 200m, boosted by buying by a leading Japanese brokerage house and investment trusts after the Nikkei fell through 17,000.

The Topix index of all first section stocks plunged 59.89 or 4.7 per cent, the sharpest single day's fall for this year, to 1,219.88, the lowest finish since April 1986. Declines predominated over rises by 955 to 49, with 39 issues unchanged. A total of 775 stocks registered new lows for the year. In London, the ISE/Nikkei 50 index shed 4.97 to 977.11.

While traders said the market fell in an "orderly" manner, the lack of buying interest increased pessimism. "Nobody is talking about support levels any more," commented Miss Caroline Stone at Barclays de Zoete Wedd.

Continued weakness in banking shares dragged down other sectors. The Nikkei 500 banking index lost a further 3.8 per cent on concern about increasing bad debt at the banks, especially real estate-related loans. The fall in bank shares put pressure on companies to liquidate cross-holdings with banks of lower strategic importance. Traders noted selling by middle-sized life assurers, traditionally stable shareholders of banks.

Industrial Bank of Japan, seen as a benchmark for the banking sector, ended Y190 weaker at Y1,330 on heavy selling. Fuji Bank, which expects heavy losses due to its involvement with the fraudulent loan scheme scandal last year, receded Y110 to Y1,160. Fuji is also the leading lender to Tobishima, the contractor and real estate developer, which announced a restructuring scheme last week.

Speculative issues also plunged. The sharp falls in the market have depressed values of collateral for margin trading. Clarion, the most active stock of the day, dropped Y100 to Y623 and Meiji Milk Products Y30 to Y700.

Industrial blue chips were sold. Nippon Steel slipped Y9 to Y291 and Mitsubishi Heavy Industries fell Y50 to Y510.

Some electrical issues were bought by foreign investors. Pioneer Electronic rose Y40 to Y3,800 and Sumitomo Electric remained unchanged at Y965. However, leading electronics companies lost ground. Hitachi shedding Y17 to Y771 and Sony Y10 to Y4,010.

In Osaka, the OSE average surrendered 864.86 to 18,545.34 in volume of 11.9m shares.

Roundup

THE FALLS in Tokyo and on Wall Street undermined Pacific Rim markets.

AUSTRALIA regained some ground after falling to the day's low of 1,552.4, but still recorded its lowest finish for seven months. The All Ordinaries index ended a net 29.4 off at 1,554.3 in turnover of A$203.1m, against A$258.5m.

Industrial shares were the hardest hit: BHP lost 28 cents to A$13.24, News Corp 52 cents to A$17.30 and Foster's Brewing 10 cents to A$1.89. Banks were weaker, with Westpac slipping 12 cents to A$3.59 and Commonwealth down 9 cents at A$7.06.

NEW ZEALAND closed at a six-month low, with the NZSE-40 index down 10.03 at 1,380.80. Among blue chips, Brierley was 2 cents easier at 90 cents, Fletcher Challenge off 3 cents at NZ$3.34 and Telecom a cent cheaper at NZ$2.01.

HONG KONG retreated by 2 per cent to its lowest closing level since February. The Hang Seng index lost 98.85 to 4,827.58 in turnover of HK$2.13bn, after HK$1.77bn.

SINGAPORE recorded a six-month low, the Straits Times Industrial index ending 21.36 weaker at 1,364.37 in volume of 42.9m shares, after 22.1m.

Foreign shares in Singapore Airlines slipped 50 cents to S$17.70 on speculation that it intends to cut fares to compete with other airlines.

KUALA LUMPUR pulled back from the day's nadir of 571.47 in late trading, the composite index finishing down 12.85 at 573.61. Volume came to 28.3m shares. Tanjong declined 60 cents to M$11.20.

SEOUL slid to a new low for the year. The composite index ended 6.12 weaker at 572.97 in turnover of Won247.5bn.

Sammi Steel reversed recent falls to close Won200 better at Won5,020. The shares have been depressed by rumours that the company might merge with its parent.

MANILA was pulled lower by profit-taking. The composite index dipped 3.38 to 1,135.99 in turnover of 221.7m pesos.

TAIWAN's political uncertainty depressed sentiment as the weighted index lost 61.28 to 4,552.48. Turnover increased to T$17bn from T$12.27bn.

BANGKOK was driven lower by nervousness about the composition of the new government. The SET index relinquished 3.48 to 828.91 in turnover of Bt6.6bn.

SOUTH AFRICA

JOHANNESBURG fell across the board in thin trade but there was bargain-hunting at lower levels. The industrial index closed 96 down at 4,223, the overall index dropped 69 to 3,371 and golds fell 26 to 1,030.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 7 1992								MONDAY APRIL 6 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	144.38	+0.3	122.39	121.61	121.98	125.90	+0.4	4.38	143.98	121.94	120.73	121.34	125.40	153.68	141.93	136.89
Austria (19)	170.31	+0.7	144.37	143.46	143.89	144.06	+1.0	2.01	169.13	143.25	141.82	142.54	142.63	186.70	164.69	206.60
Belgium (46)	140.19	+0.6	118.83	118.07	118.43	115.64	+0.7	5.25	139.37	118.04	116.85	117.45	114.79	145.19	136.59	141.59
Canada (115)	126.53	-1.6	107.25	106.57	106.89	106.89	-1.6	3.37	128.52	108.85	107.76	108.30	110.61	142.12	126.53	138.01
Denmark (35)	231.34	-0.3	196.10	194.86	195.44	198.38	-0.1	1.84	232.15	196.62	194.66	195.64	198.60	273.94	226.81	245.91
Finland (15)	75.65	-0.8	64.13	63.73	63.92	70.52	-0.8	2.07	76.29	64.62	63.97	64.30	71.11	89.80	73.64	123.48
France (107)	158.88	-0.2	134.68	133.81	134.21	137.13	+0.0	3.30	159.16	134.80	133.45	134.12	137.07	159.16	148.06	142.99
Germany (65)	121.50	+0.6	102.99	102.35	102.65	102.65	+0.9	2.24	120.76	102.27	101.27	101.77	101.77	122.84	114.67	112.93
Hong Kong (55)	204.51	+0.5	173.36	172.26	172.79	203.18	+0.5	3.97	203.57	172.41	170.69	171.56	202.25	210.88	176.36	153.25
Ireland (16)	157.04	+1.6	133.12	132.27	132.67	135.21	+1.7	3.79	154.56	130.91	129.60	130.26	133.00	173.71	151.78	168.05
Italy (77)	71.33	-1.9	60.47	60.08	60.26	65.29	-1.9	3.55	72.69	61.57	60.95	61.26	66.56	80.86	68.92	81.63
Japan (473)	94.32	-4.0	79.95	79.44	79.69	79.44	-3.6	1.07	98.28	83.24	82.41	82.84	82.41	140.95	94.32	142.66
Malaysia (66)	235.38	+0.2	199.53	198.25	198.85	232.98	+0.0	2.73	234.92	198.97	196.98	197.98	232.98	250.18	212.49	232.31
Mexico (18)	1653.84	-1.9	1401.92	1393.02	1397.22	5530.45	-1.9	1.09	1685.09	1427.19	1412.95	1420.12	5634.95	1789.77	1376.91	813.27
Netherland (25)	154.34	+0.4	130.83	130.00	130.39	128.84	+0.6	4.32	153.69	130.17	128.87	129.53	128.05	156.48	147.88	140.98
New Zealand (14)	42.57	-1.5	36.08	35.86	35.96	41.65	-1.0	6.59	43.22	36.61	36.24	36.43	42.05	48.52	42.57	46.49
Norway (23)	171.32	+0.6	145.23	144.31	144.74	148.65	+0.9	1.72	170.35	144.28	142.84	143.57	147.29	192.95	161.26	197.80
Singapore (38)	197.44	-0.8	167.37	166.30	166.80	150.40	-0.4	2.18	198.68	168.27	166.60	167.44	151.07	228.43	197.44	192.93
South Africa (61)	228.54	-0.8	193.73	192.49	193.07	172.27	-1.3	2.92	230.39	195.08	193.13	194.11	174.51	263.60	203.16	202.18
Spain (50)	148.94	-0.1	126.26	125.46	125.83	116.50	-0.1	5.17	149.03	126.22	124.97	125.59	116.57	160.47	148.73	162.05
Sweden (26)	186.93	-0.5	158.46	157.45	157.93	163.20	-0.3	2.77	187.91	159.15	157.57	158.37	163.71	190.37	173.09	186.06
Switzerland (60)	100.07	+0.2	84.83	84.29	84.55	92.53	+0.4	2.31	99.87	84.59	83.75	84.18	92.16	104.22	95.99	97.69
United Kingdom (228)	167.79	+0.1	142.23	141.31	141.74	142.23	+0.1	5.25	167.70	142.03	140.60	141.32	142.03	186.29	165.85	182.15
USA (523)	162.39	-1.8	137.55	136.78	137.20	162.39	-1.8	3.04	165.40	140.08	138.69	139.40	165.40	171.66	162.39	151.61
Europe (791)	142.39	+0.0	120.70	119.94	120.31	121.23	+0.2	4.03	142.34	120.55	119.35	119.96	121.01	150.58	139.31	145.06
Nordic (98)	173.41	-0.3	147.00	146.06	146.50	144.85	-0.1	2.23	173.99	147.36	145.89	146.63	144.99	188.52	170.96	184.29
Pacific Basin (717)	99.92	-3.4	84.70	84.17	84.42	84.65	-3.1	1.49	103.49	87.65	86.78	87.22	87.32	141.97	99.92	142.36
Euro-Pacific (1508)	117.11	-1.8	99.27	98.63	98.93	99.76	-1.5	2.72	119.24	100.99	99.97	100.48	101.30	145.21	117.11	143.83
North America (638)	160.12	-1.8	135.73	134.89	135.30	158.75	-1.8	3.05	163.07	138.12	136.75	137.45	161.67	169.69	160.12	150.68
Europe Ex. UK (563)	126.14	+0.0	106.92	106.26	106.59	106.60	+0.2	3.21	126.10	106.80	105.75	106.29	106.38	129.79	121.81	122.73
Pacific Ex. Japan (244)	155.18	+0.2	131.54	130.72	131.11	138.06	+0.3	3.94	154.87	131.17	129.88	130.53	137.71	158.33	149.00	137.94
World Ex. US (1702)	119.67	-1.8	101.45	100.81	101.11	102.15	-1.5	2.73	121.82	103.17	102.15	102.67	103.72	146.91	119.67	144.80
World Ex. UK (1997)	129.89	-2.0	110.10	109.41	109.75	118.52	-1.9	2.57	132.54	112.25	111.14	111.71	120.76	150.58	129.89	142.32
World Ex. So. Af. (2164)	132.55	-1.8	112.36	111.66	111.99	120.29	-1.6	2.85	134.98	114.32	113.19	113.76	122.31	153.05	132.55	145.52
World Ex. Japan (1752)	154.89	-1.0	131.30	130.48	130.88	144.51	-1.0	3.42	156.53	132.57	131.26	131.93	145.97	161.90	154.76	148.96
The World Index (2225)	133.18	-1.8	112.89	112.18	112.52	120.76	-1.6	2.85	135.60	114.85	113.70	114.28	122.78	153.70	133.18	145.86

Constituent changes with effect 9/4/92: Addition: San Paolo (Italy). Deletion: Poliet (France). **Constituent changes 8/4/92:** Name changes: Mitsui Real Estate to Mitsui Fudosan and Mitsui Warehouse to Mitsui-Soko (both Japan). Latest prices were unavailable for this edition. Malaysian market closed April 7.

Management Education and Training

Business schools must adapt to a changing and more discriminating market in harder times, writes Andrew Adonis. Companies are seeking more individual attention, and beneath the title "MBA" lies an ever-wider variety of courses. Serious management education is ceasing to be the preserve of high-flying executives

IN THIS SURVEY

Editorial production
Gabriel Bowman

Adapting in hard times

BUSINESS SCHOOLS never had it so good as in the 1980s. Their MBAs became prized commodities; their numbers and earnings soared; so did the salaries of their faculties. And as the "enterprise culture" swept Reagan's America and Thatcher's Britain, their offspring vied with popes and prelates as arbiters of official morality.

Now, it is hard times. Or harder times, at any rate, as recession bites, "kinder, gentler" values rise uppermost, and schools come to terms with a decade of frenzied expansion. For most, though, it is not a question of decline, but of adaptation – to a new climate, and to a changed market in which individuals and companies show themselves more discriminating and refuse to buy the old type off-the-peg courses and MBAs.

It is also a decade for change in the status of institutions, as the top brass in host universities come to see their business schools as more than simply milch cows to prop up under-funded humanities departments.

The US now produces 70,000 MBAs a year from more than 250 accredited programmes; the number of institutions offering MBAs in Britain has almost doubled in a decade – up from 47 to 82; and apart from Germany, whose corporate culture and lengthy first degree programmes have so far kept the business school at bay, the rest of Europe has experienced growth to match. "There is a now a clear sense of weakening," says Mr Roger McCormick of the Association of MBAs. "But in the past decade the growth rate has been so strong that it would have been impossible to maintain it."

The impact of the recession apart, across the sector six trends are clearly marked.

First, executive courses – as opposed to degree programmes – are assuming a progressively higher profile in management schools' budgets and output. Typically, half an institution's income now comes from courses – programmes anything in length from a few days to a few months' mini-MBA.

The drift is also to more company-specific courses, and away from off-the-shelf programmes open to all comers. According to Mr Jean-Michel Beeching, marketing director of the London Business School's executive education programmes: "Companies used to take whatever business schools had to offer them. Now they are much more mature as customers: they are coming to business schools and saying 'we want' rather than just looking in through the shop window."

The drift is to more company-specific courses, away from off-the-shelf programmes open to all comers

European schools are well-attuned to the shift – recognising that competition comes not only from other institutions, but from increasingly professional in-house or contracted training teams employed by companies themselves.

Variations on the theme of "developing a long-term, inter-active relationship with companies" reverberate around most schools – and are becoming more than a slogan in some. British institutions such as Ashridge, Templeton and Henley have long pioneered tailored courses, and almost half of executive-course income at LBS, IMD (Switzerland) and Insead (France) now comes from such programmes.

The position in the US is more mixed: some leading schools, notably Harvard and Stanford, stick resolutely to open programmes, while others have become active players in the "tailored" market. Wharton (Philadelphia) reckons that tailored courses will account for two-thirds of its income within a few years.

The second trend is a response to "the flattening of traditional corporate structures and hierarchies", in the words of Mr George Bain, principal of the LBS. "The demand is for a new generation of well-rounded, generalist managers – not the dominance of the specialist of old." Accordingly, management education is increasingly seen as an ongoing, not once-for-all, process. The concept of paid sabbatical leave has yet to catch on much beyond academe, but it is the logical goal.

"Internationalisation", a novel concern with management in the public and not-for-profit centres, and the application of new technology – particularly video and inter-active software packages – to management education are the next three trends. They are assessed in articles later in this survey. Many leading business schools will tell you only three truly international schools exist: IMD, Insead and theirs. Most will also say they take the public sector "seriously" and are in the "forefront" of applying new technology. Look carefully beneath the blurb in all cases.

The sixth trend is a rapid growth in part-time and distance-learning courses. The new-style part-time or distance-learning MBA is a management development programme, geared particularly for those in mid-career – not a magic turnstile to a career shift and a salary hike for thrusting executives in their late 20s.

That trend is still working its way through. A survey last year by the Council for National Academic Awards of Britain's 8,000 entrants to MBA courses – who split fairly equally between full-time, part-time and distance courses – found the typical MBA student to be male, 27 and middle-class, doing the degree on his own initiative with only limited help from his employer.

A few years hence, "middle class" should be the sole survivor from that composite. Britain's Open Business School, launched in 1983 and claiming now to train more managers than any other in Europe, is a leading force for change. It has just graduated its first 211 distance-learning MBAs – and has another 4,000 in the system. MBAs are, however, only the icing on the OBS cake: more of its effort is devoted to a certificate in management for first-line managers and a diploma for middle managers.

"It may sound drastic, but there isn't much of a role for middle management in tomorrow's world" is Mr Ludo Van der Heyden's view from Insead – through whose portals middle managers generally pass only on their way up.

Professor Andrew Thomson of the OU takes a different view. Drawing a "British management" pyramid with 0.35m senior managers at the top, 1.3m junior managers at the bottom and 0.8m middle managers in between, he says: "the high-flyers – the Oxbridge, Ivy League, Grande Ecole group – will make it anyway: we need to be just as concerned with training those at the bottom and in the middle, whose management careers are as likely to move sideways as upwards."

The typical MBA student was male, 27 and middle-class — and doing the degree on his own initiative

The fate of the British Management Charter Initiative – launched in 1988 after reports that each UK manager received just one day's formal training a year – is instructive in that regard. In numerical terms, its record is mixed. In Leeds only about 50 of the 10,000-odd eligible companies have joined the MCI.

But its "crediting competence" programme for improving management skills has attracted more than 60 Leeds managers in the first five months since its launch. Separately, the Leeds Training and Enterprise Council included £700,000 in this year's budget for training supervisory and first-line managers – paying up to £1,000 per manager and £10,000 per company.

Most of the funds are for approved courses developed with – and put on by – Leeds business school, a part of Leeds polytechnic. Leeds Tec is confident the funds will stimulate local businesses to efforts of their own – and not just after the recession.

Leeds business school is rather less glamorous than its London counterpart with the same acronym. For the most part its students do not populate the great consulting and investment banking houses; nor do they generally proceed to average salaries of £38,000 (Insead's 1990 average for MBA graduates taking jobs in Britain). But management education has as much to offer them as their high-flying counterparts – and it is waking up to the challenge.

TECHNOLOGY TRAINING

Don't get frightened

THE DAYS when the highest technology to be found in a management training room was a blackboard and chalk are long gone.

Today's managers are being taught with the latest electronics equipment, ranging from interactive computer simulations to multimedia presentations and language laboratories. And one of the things they are learning is not to be intimidated by the technology.

But at the same time companies are demanding greater value for money from management education and training schemes – one reason for the growth of "distance learning" and training videos, and the launch in the UK next month of the Executive Business Club, a subscription television service from Management TV International.

EBC will comprise an hour of management training and business information programmes each week broadcast in encrypted form over BBC Select – the new pay-TV channel of the BBC. The idea is that member organisations will be able to decode and tape the broadcasts, building up their own library of training videos.

One recent study valued the total UK market for video-based training at more than £22m and estimated that it would grow by between 20 and 25 per cent this year. Such is the growth in the market that a few books have begun appearing to help trainers use video more effectively, among them "Using Video in Training and Education" by Ashly Pinnington, a consultant to Henley Management College.

Production and distribution companies such as Video Arts produce catalogues containing dozens of films dealing with subjects as diverse as sexual harassment, how to negotiate and telephone sales techniques.

Most of Video Arts' titles run for between 15 and 30 minutes and cost £100 or more to hire for two days, around £185 for a week or from about £600 to buy outright. Many of them feature comedians such as co-founder John Cleese, or Mel Smith and Griff Rhys Jones, and are based on the premise that managers are more likely to absorb a message if it is presented in a simple, concise and preferably humorous way.

Video Arts' latest catalogue includes such nuggets as "Agreeing to Agree" starring Mel Smith and Griff Rhys Jones on the art of negotiation, "Cold Call" on telephone selling, "How to Lose Customers Without Really Trying)" and "Grime Goes Green" which explains the need for a corporate environmental strategy.

In the UK other video producers include Melrose Film Productions and Longman Training whose new catalogue includes over 150 titles dealing with issues like Total Quality, sales techniques and health and safety for VDU users.

Some of the management colleges themselves have begun to produce training videos. Sundridge Park Management Centre, a pioneer in the use of technology in several areas, will design and produce what it calls "trigger" videos for use by corporate training departments.

Sundridge Park's training technologies department has also developed a sophisticated interactive videodisc package called "The Next Candidate" to help train managers in interviewing techniques. Some of the video production companies such as Longman Training have also begun to offer interactive videos.

"Beat the Boss" forms an introduction to business dynamics; another programme, "Handling Time" is an exposition of discounted cashflow

By combining the images from a laser disc with the power of a computer, interactive video provides a powerful training tool. The interactive video user can ask questions, receive information and work through a training package at his own speed.

Among the discs available from Longman are several aimed specifically at managers including one on delegation and another on appraisal and counselling. Purchase prices range from £795 to £3,900 for "Account Ability" which introduces the Price Waterhouse seven-step approach to understanding and interpreting financial statements. Hardware to use the interactive videos is available for hire.

Personal Computers (PCs) are also making their way into training colleges in other guises, for example as gateways to other services. At Ashridge for example, the Learning Resources Centre houses not only the library but also a bank of PCs hooked up to electronic data bases.

Desktop PCs now have the power to run interactive training programmes and the type of business simulation packages that not so long ago could only be run on a mainframe.

Many management colleges now offer students a chance to play business games or work simulation packages on classroom PCs. Ms Monica Seeley, an expert on computer aided management training from Sundridge Park, points out that computers can also provide computer-shy managers with the chance to learn about computers and information technology itself. "They provide hands-on experience in a non-threatening environment," she says.

Inter-active computer training programmes, once a rarity, are now available from many sources and some are extremely specialised. For example, Strat*X, an international strategic training consultancy, has developed a range of computer simulations including Markops and Markstrat, which enable users to apply and test marketing concepts and approaches in a realistic and highly competitive market environment.

The firm recently launched a new simulation called Bidstrat which replicates the behaviour of bidding markets such as aerospace, medical systems and other high tech industries.

Other companies such as London-based RBRC software have produced team business simulations which involve a team of four acting as a board of directors and running a company for five years.

One of RBRC's seven programmes is called "Beat the Boss" and forms an introduction to business dynamics; another called "Handling Time" is a computerised exposition of the logic and mechanics of discounted cashflow (DCF) and its application to business decisions.

Other software companies such as FSMD of Cheshire, set up by four former graduates of Manchester Business School, specialise in designing, developing and implementing educational programmes for individual companies, mainly in the financial services sector.

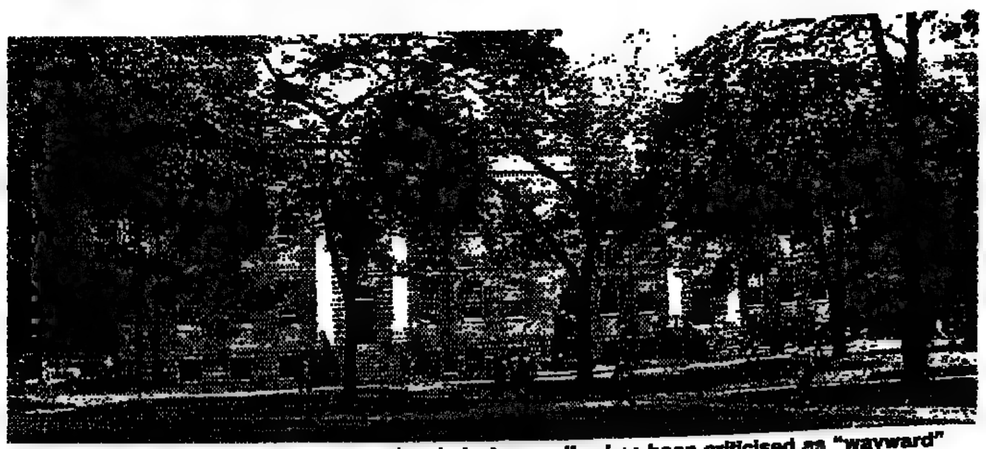
Computers are also being used on their increasingly popular "distance learning" courses, the 1990s successors to the correspondence course. A number of colleges including the Open University, Lancaster University and Henley Management College use computer conferencing – achieved by hooking home computers up to a college mainframe computer via a modem and telephone lines. The big advantage of computer conferencing is that it allows students, no matter how geographically dispersed, to communicate with each other and the college as a group.

For example, Henley's Extended Learning Programme (Help) allows students to connect with a central college database to retrieve details about the course, workshops, examinations and administration. They can also exchange electronic mail and take part in computer conferences and have access to the college library and on-line databases.

The other area in which technology is being put to good use is for language training, viewed as increasingly important on both sides of the Atlantic and symptomatic of the pronounced trend towards internationalisation in management education.

At the University of Bradford's Management Centre, which has one of the largest MBA programmes in the UK, students have jumped at the chance to learn languages in the centre's state-of-the-art language teaching system – an interactive touch-screen system made by Sony and the first of its kind in Europe.

Paul Taylor



Harvard University: its business school's admissions policy has been criticised as "wayward"

Andrew Jack takes the measure of the MBA

Value of a degree

AMERICANS AND Britons do it, Asians and even East Europeans now do it. People around the world have been swept up in the glamour of the Masters of Business Administration degree.

The MBA used to be seen as the automatic passport to a vastly enhanced salary, a flashy sports car and an imminent seat on the board of a major company. It is still widely perceived as a useful stepping-stone to better things.

Even so, recently the degree has come under a cloud as an explosion in supply has coincided with a growing disillusionment and the pressures of recession. For some unfortunate students in Britain at least, the MBA has become a staging post on the way to temporary unemployment.

British employers have historically had a lower regard for the qualification than many of their counterparts overseas, particularly in the US. Even in North America, the reputation of MBAs has suffered periodic tarnishes, with the typical 28-year-old graduate stereotyped as being trained for no position less worthy than the chief executive of a major corporation.

Attempts to change the curriculum have not always proved too effective. Harvard Business School – one of the most famous of the American schools and the originator of the "case method" approach to teaching – was criticised publicly last year by Mr Ian Evans, chairman of LEK, the management consultancy. He said he would view applicants to his firm from the school with great scepticism, arguing that the admissions policy there was now "wayward".

Last year, MBase, a computer-based employment service for job-hunting MBAs, produced a widely-reported survey that suggested employers had little interest in the degree. The findings stung the careers officers of many business schools, already demoralised from one of the most difficult years for recruitment they could recall.

But the Association of MBAs (Amba), based in London, pours scorn on these negative images and stresses that interest is higher than ever. It estimates that the number of British students graduating from UK institutions alone with the coveted degree has risen from 775 in 1975 to an estimated 4,500 in 1991. At the same time, the number of organisations offering courses has shot up from a handful to about 82.

Mr Peter Calladine, administrator at Amba, says: "I think people recognise the MBA as a portable qualification, which is very often a way out of a corner, to prevent them becoming a specialist."

Mr George Bain, dean of the London Business School, agrees that acceptance of the MBA is growing, as demonstrated by both the rising number of students and of employers willing to sponsor them.

Nevertheless, he concedes that "some firms are reluctant to hire freshly-minted MBAs". He also says that the stereotype of the MBA of the past is not entirely untrue, and the general consensus is that the number of job offers to graduates has dropped by a quarter in the last two years.

"The environment is tougher now," he says. "There is no question that there was a great boom in management education, which for the moment has ended." But he says new institutions have continued to enter the market for MBAs, even though the peak has obviously been reached and the market is overprovided for.

"The quality of faculty to staff up expansion like this is just not available," says Mr Bain. "The market will sort itself out. Many weaker suppliers will withdraw and the late entrants will probably suffer."

That is hardly reassuring for students now contemplating studying for an MBA. But the lesson is nonetheless clear. As Mr Bain puts it: "You have to be very thoughtful. Choose an institution with care."

Mr Calladine adds: "Despite what everyone says, there is no such thing as the best school. It is no use someone in the national health service who wants to stay there going to a school where most of the graduates go into finance."

He says prospective students should take every opportunity to talk to faculty, current and former students, and even possible employers at business schools to learn about the course offered and what it might lead to.

The distinction between different types of MBAs is shown clearly in a detailed analysis of the growth of enrolment in courses. Amba figures show that full-time MBA students are now in a diminishing minority. The intake last autumn was 3,500 on full-time courses.

The figure appears to have levelled off, which partly reflects the costs and risks of the degree: on top of tuition of several thousand pounds a year, students have to pay accommodation and other expenses. Most important, nearly all give up their job, their salary and typically any commitment to re-employment.

Perhaps surprisingly, a further 6,000 students were enrolled on part-time courses, giving them the chance to continue working – and often be sponsored by their employers.

However, both these figures now appear to be relatively stable. The real area of growth is for MBAs obtained through distance-learning, such as the courses offered by Henley, Warwick and the Open University.

Ms Sheila Cameron, MBA programme director at the Open University, and author of a book on the qualification*, stresses that her course offers a great deal of contact with other students through tutorials and residential sessions as well as tapes and workbooks.

It also has the advantage – like all the other distance learning courses – of being entirely flexible, with no requirement to attend courses at fixed times, regardless of other pressures on an individual's time.

For those who choose a course with care – and are realistic about their abilities and ambitions – the MBA can remain a rewarding and often remunerative qualification.

Amba – 15 Duncan Terrace, London N1 8EZ – publishes a series of books, offers student loans and holds a business school fair at the Institute of Directors in London in October; the University of London Careers Service holds one at the Business Design Centre, Islington, in the spring.

**Sheila Cameron. The MBA Handbook. Pitman. £16.99*

George Bickerstaffe. Which MBA? Economic Intelligence Unit. £55

Taking on responsibilities: nurses at work in a ward at St Mary's, Paddington Tony Andrews

THE PUBLIC SECTOR

New culture sweeps out bureaucracies

BUSINESS SCHOOLS conjure up visions of high-flying MBAs, aggressive corporate executives and mega-buck courses and conferences. The idea of nurses and teachers – let alone charity workers – rubbing shoulders with managing directors seems quaint, almost absurd.

In many of the major management schools, it is quaint. A day in Insead and the words "public sector" go unheard; the nearest the London Business School's executive programmes get to them is courses for ambassadors and senior Home Office officials.

Increasingly, however, business schools are waking up to the public and not-for-profit sectors, and vice versa. The growth in part-time and distance learning MBAs has been in no small part geared to them (not excepting LBS), and courses are following, too.

"Management" has ceased – just – to be a dirty word in the public sector. With hardly a country in Europe and the Americas standing apart from the trend, a new managerial culture is sweeping through state bureaucracies. Devolved responsibility, profit centres, even autonomous trading funds, are increasingly widespread; and as privatisation reduces the size of the state machine, the cultural insularity of public sectors is progressively weakening.

Britain has gone further than most in all those directions. Privatisation has cut the state sector in half in a decade. In the remaining half, trusts, contracts and fundholding are advancing in the health service, compulsory tendering in local government, and devolved budgets and administration in state schools and colleges. Not even Whitehall is immune: under the "next steps" programme more than half of all its civil servants now work in semi-autonomous executive agencies and the proportion is set to rise to three-quarters by mid-decade.

The management implications are dramatic: almost overnight the typical secondary schools head or fundholding GP is finding himself a multi-million pound manager, in most cases with nothing but 20 years at the blackboard or in a hospital/practice as preparation. Management education in the public sector is no longer limited to high-flying civil servants taking courses at the civil service training college at Sunningdale (itself barely 20 years old – and now an agency): it is spreading to every school and hospital in the land.

Of the National Health Service alone Dr Christina Townsend of the NHS Training Directorate says: "We have a million employees, of whom 240,000 can be designated as managers – after all, as soon as you become a ward sister you take on significant management responsibilities."

The directorate is pioneering a training strategy to give all managerial staff a nationally recognised qualification through distance-learning programmes. Courses have been developed with the Open University and the Institute of Health Service Management.

"We were particularly keen to ensure proper back up and to see that case material directly relates to the health service," says Dr Townsend. "If you just produce training materials, they won't use them: a lot of our work has to be done to ensure there are local tutors and mentors to give support." The courses were launched last year. The first-year take-up target was 1,000 managers: in the event 1,500 signed up, and the directorate is revising its targets.

The Open Business School, which claims to be Europe's largest business school with 25,000 course registrations this year, gears many of its distance learning courses to the new market. The OBS's professional certificate in management – the first of three levels leading up to an MBA – runs a foundation course specifically for the voluntary and non-profit sector. Leading clients include Barnardo's and the Red Cross.

"Nothing like it has been produced before in the UK or elsewhere," claims Mr Rob Paton, senior lecturer at OBS. "It shares the successes of the voluntary sector and its unsung heroes."

Another option at certificate level is "managing health services". Aimed at health service managers "regardless of their profession or occupation", its content is fairly general – "managing yourself and your job", "managing people", "managing in your organisation" and "managing in the external environment" are the principal modules. The course fee is £825, with a reduced rate of £695 for health service employees.

The OBS has also launched a new MBA option on "Managing Public Services", aimed directly at managers in the civil service, NHS, local government and the police. Organised into three blocks and a project, it tackles issues including the differences between public and private sector management, the working of internal markets, competition between agencies supplying public services and innovations in resource management.

Some parts of Britain's public sector are more active on the management education scene than others. Local government, with tightly constrained resources, has tended to lag behind Whitehall and the NHS. Even there, however, courses are developing fast.

Birmingham University's Institute of Local Government and Strathclyde's Local Authorities Management Centre are leading the way. The Strathclyde centre, established in 1987 with a grant from the Convention of Scottish Local Authorities, is part of a university business school which already has a strong public sector record (British Rail is a leading client). It offers a range of in-service and post-professional courses for middle and senior managers. Strathclyde regional council is the largest client, but participants come from across the country.

Professor Alan Alexander, the centre's director, says: "For middle – and some senior – managers our courses provide a first exposure to general management concepts. That's particularly important in local government, where the emphasis is on technical disciplines and qualifications first, and management second." The courses have had a strong knock-on effect in encouraging managers to take MBAs, and the centre is about to launch an MSc in public management.

Research into public sector management is also gathering pace. London's Imperial Business School and Cranfield Institute of Technology are just two of many to have established public sector research groups.

The IBS has a health service management project, partly financed by North-West Thames Regional Health Authority, exploring "appropriate structures and cultures" to support NHS trusts (in whatever form they survive the election). Cranfield's emphasis is on "practitioner researchers". According to Professor Leo Murray, Cranfield's director: "We are looking to them to see how management skills can best be improved in what is, without doubt, a different environment from that we business schools are used to working in."

Teachers are further down the line. Even Mr Chips, though, may find a business course as essential as teaching practice before long.

Andrew Adonis

Profile: ASHRIDGE MANAGEMENT COLLEGE

School that is not in anyone's pocket

AT MANY British business schools it would have been an insult until recently to suggest the institution was "close to the market", or that the academics had "dirty hands" because they involved themselves closely with "real world" issues. Not so at Ashridge.

"We think it's great; we are in the business of getting our hands dirty," says Mr Peter Beddowes, Dean of Ashridge Management College. Indeed, Ashridge has long prided itself on being both relevant and accessible to business, rather than irrelevant and remote.

Mr Michael Osbaldeston, chief executive of the management development centre and business school based at Berkhamsted, Hertfordshire, explains: "We are driven by learning objectives rather than education objectives."

Accordingly, Ashridge has always tailored both its courses and other activities to business requirements. It was among the first business schools to recognise the need to become more customer-focused and to ensure that executive programmes matched business needs, something many of its competitors are now imitating.

"It is extremely important that we recognise there is a market we serve, and also that we anticipate market requirements," says Mr Osbaldeston.

Nevertheless, he accepts that it is important to maintain a balance, and to avoid the danger of becoming simply a commercial training organisation. So far, Ashridge appears to have succeeded in striking the right balance. It is one of the most highly regarded business schools in the UK, particularly for its teaching, and is also becoming well-known overseas.

In maintaining the balance between academic and market considerations, Ashridge is fortunate in a number of ways. As an educational trust, set up by an act of parliament, it is independent and does not have to answer to a parental organisation like many business schools attached to universities. And as Mr Osbaldeston proudly points out, it is also financially independent. "We are able to run ourselves as a business, and we can say no, we are not in anyone's pocket," he says.

Mr Osbaldeston talks about being in partnership with the companies which are its primary clients. He sees partnerships as an alternative to the traditional client/supplier relationship.

This concept of a partnership between Ashridge and its clients has other important benefits. It helps bind the clients to Ashridge and enables it actively to market the full range of its services while also providing much of the raw material for research projects.

Both Mr Osbaldeston and his predecessor, Mr Philip Sadler who retired two years ago, have followed a strategy at Ashridge of offering a steadily broadening range of services, including consulting and research as well as training, to the business school's clients, in response to market requirements.

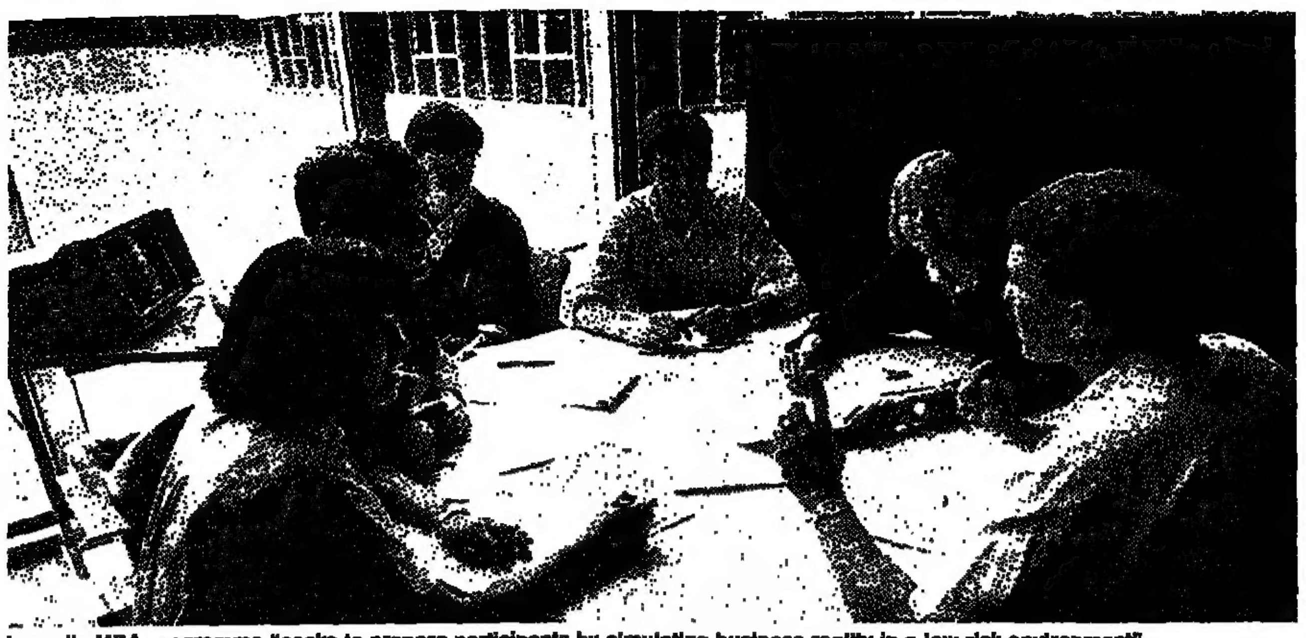
In the early years in the 1960s Ashridge mainly offered open courses for managers which were marketed domestically and to the old Commonwealth nations, particularly those in south-east Asia.

But in the 1970s Ashridge offered tailor-made management training programmes for companies, courses "set up by industry to serve industry and not by academics," says Mr Osbaldeston. By the late 1970s and early 1980s it had grown to a position of dominance in this field and tailor-made training programmes for companies now make up about 40

Continued on next page

Profile: INSEAD

Friendly, intense and relentless



Insead's MBA programme "seeks to prepare participants by simulating business reality in a low-risk environment"

"THE ONLY thing French here is the food – and that's probably a good thing", goes the quip at Insead, the European business school at Fontainebleau on the edge of the Bourbon kings' renowned hunting forest.

L'Institut Européen d'Administration des Affairs, Insead, may be 65km south of Paris, but it could as easily be on the outskirts of Basle or Brussels, given its success in downplaying the French connection. Teaching is mostly in English and administration in French: but a stroll across the dining room adds Spanish, Italian and Japanese (not German – symbolically enough for a business school).

Insead claims to be the pre-eminent international business school, and is now widely regarded as such.

The smaller International Institute for Management Development (IMD) in Switzerland has a strong reputation; the Paris-based EAP's three-country "pre-experience MBA" is highly rated; London Business School is rapidly strengthening its international credentials; and the buzz-word "internationalisation" reverberates across leading American campuses. But in breadth, depth and output, Insead has a formidable claim to the crown.

"For us, international management education isn't a goal, it's a reality", insists Mr Ludo Van der Heyden, Insead's co-dean. It is reflected in all three of the institute's main divisions. Its 80-strong faculty is drawn from more than 20 nationalities, 90 per cent of them holding at least one degree from the United States. On executive programmes, the rule of thumb is that no more than 16 per cent of participants on any one course are from the same nationality.

MBA students are drawn fairly evenly from North America and the leading European states – excepting Germany, which in 1990-91 had only 6 per cent to match France's 16 per cent and Britain's 20 per cent. A tenth hail from Asia and the Middle East. Typically, more than a third of each graduation go to work in a country other than that of their passport.

To ice the cake, Insead also boasts a well-appointed Euro-Asia centre, with five academic staffand a range of management development programmes based in Europe and throughout Asia.

Not that Insead's top brass sees the international dimension as the be-all and end-all. "All programmes have to be more international, but that doesn't mean that all tomorrow's managers will be truly international", says Mr Van der Heyden. "There's still plenty of room for the regional manager."

Executive courses are Insead's breadwinner. Almost 60 per cent of last year's total income of FF234m (£24m) came from executive courses. Public programmes account for just over half of all participants: the rest attend courses tailor-made for particular companies or consortia of companies. Courses vary in length from a few days to the month-long Advanced Management Programme – which now runs four times a year, up from once a year a decade ago.

The development of programmes for the former Soviet bloc is a high priority on the short course side. Mr David Young, a finance professor, has pioneered programmes for Polish managers, and is planning others – in conjunction with IMD and LBS – to "train trainers" from across the new democracies.

European Community funds permitting, that is – difficulties in the securing of which prompt acid remarks about the problems faced by European institutions without a strong national champion when confronting Brussels, the supposedly "European" citadel.

Insead has grown fast and big in the last decade – somewhat faster than it can manage, mutter some potential customers. MBA numbers have grown at an annual rate of 19 per cent for the last decade, yet the brakes have still to be applied: plans are afoot to increase the intake from 450 to 600 a year, with executive programmes (which subsidise the MBA) expected to grow at a similar rate. Since 1989, a small but growing PhD programme has also been running, a boon to Insead's research capacity.

A more interactive relationship with companies is the key to Insead's future, says Mr Van der Heyden. "Companies will require partnerships with business schools of a new kind – a much more dynamic link." He sees business schools becoming more the consultant, less the teacher – on the medical analogy, a shift from peddling cures to preventing disease in the first place.

He cites Insead's link with Digital Equipment – which dates back to Insead's foundation – as a model for things to come. It involves Insead faculty in company study teams, and a steady stream of Digital managers passing through Fontainebleau. The aim? To make management education less an act of faith only indirectly connected with corporate objectives, and more a direct linkage between business schools and corporate development.

"The trend is towards more – and more custom-designed – executive education: in the long run degree programmes are dead," says Mr Leon Selig, director of executive education.

In the short run, however, the year-long MBA remains the brightest feather in Insead's cap.

"I was expecting to find a country club atmosphere – Porsches in the drive, that sort of thing", says one American participant. "But nothing of the kind. It's friendly – yet intense and relentless." That is the general impression. Competition is sharp, but group working smoothes the edges and enthusiasm abounds. Other than comments on over-stretched facilities, few reservations are expressed.

"The best thing about the place is that it shuts at midnight – or else we'd be here all night too," volunteers a Canadian, with apparent frankness. Simulations and problem-solving in small groups are the standard features – interspersed with lectures and a hectic social round. The course is unapologetically general: electives are offered only after four months of core courses.

The MBA course has two entries a year – January and September. It is divided into five two-month sections, with exams at the end of each. And it doesn't come cheap: budget to spend FF230,000 (£23,800) for the year, advised a survey of 1990 participants.

And after? According to Insead's career management service, typically three-quarters of each intake want to start their own business. Barely 1 per cent do so straight out of Insead, but within seven years more than two-thirds are owner-managers. An impressive score – in any language.

Andrew Adonis

Ashbridge management college

From previous page

per cent of its total course offerings.

Following a Europe-wide survey to identify specific and future management development trends, Ashridge undertook a comprehensive overhaul of its short courses which are now divided into seven multi-disciplinary themes to reflect business realities rather than traditional subject categories.

"Managers wanted to be active participants in the courses rather than just recipients," says Mr Beddowes. At the same time, companies were demanding more value for money from executive education.

Mr Beddowes says: "Managers attending our redesigned open programmes will find that within the broad structure, there is enough flexibility for them to shape the programme to their particular learning needs.

"This approach enables them to benefit from the interaction with peers from other companies, and at the same time pursue a path of learning that fulfils their personal requirements."

However in recognition that some clients require a qualification, Ashridge introduced its own one-year Masters of Business Administration programme in 1987 – a qualification which is validated by City University and is aimed squarely at providing those with management experience, and in particular at management "high fliers", with accelerated leadership development.

The MBA programme is small – there will be 30 people on it next year – and very expensive. For this reason, almost all the students are sponsored by their employers. As part of the course, the students undertake a "live" strategic project on behalf of their employer or an adopted "host company," again ensuring that the MBA course does not become remote or irrelevant.

Last year Ashridge published a survey of its MBA alumni entitled rather extravagantly: "Exploding the MBA Myth," which showed that graduates of its year-long MBA course, launched in 1988, were highly satisfied with their qualification. Ashridge is currently considering whether to offer a part-time MBA programme.

The Institute for Organisational Change in France is seen as a "experimental centre" which will conduct research across national boundaries. *If it succeeds, it could become "a model for how a management centre of the future might operate"*

Since the early 1980s, Ashridge has also sought to present itself as an organisation that offers more than just the standard open or tailored one or four-week training course or MBA programme. Today Ashridge's activities include:

■ Ashridge Management College. Established in 1959, this offers what Ashridge is best known for, the short duration courses, both external and internal, and the MBA programme. Altogether Ashridge runs more than 5,000 courses a year.

■ *Ashridge Consulting Group.* Formed in 1985 in response to market pressure for advice, ACG is a profit-making organisation with £1.75m income last year.

■ Ashridge Strategic Management Centre is a London-based applied research and consulting group established in 1987 and run by Mr Michael Goold and Mr Andrew Campbell, formerly of the London Business School.

■ Ashridge Management Research Group. This used to be the research division of the college and was hived-off two years ago as a separate entity. It conducts research projects and surveys for companies, governmental bodies and work commissioned by the management college.

■ The Independent Assessment and Research Centre. This London-based unit was acquired three years ago and is a specialist in psychometric testing. It offers courses for human resources managers and provides occupational psychology consulting services.

The sixth and most recent addition to this "portfolio" of services is the Ashridge International Institute for Organisational Change (IOC) which is being established in France. Ms Ariane Berthoin Antal became the institute's first director at the start of this month.

Aside from emphasising Ashridge's commitment to internationalisation, the IOC is seen by Mr Osbaldeston as a "experimental centre" which will conduct research into all human aspects of implementing change across national boundaries. It will also hold workshops and conferences on change management as well as providing consultancy services in this field to companies. If it is successful, Mr Osbaldeston says it could become "a model for how a management centre of the future might operate."

Through these units Mr Osbaldeston is attempting to position Ashridge as a multi-disciplinary organisation able to meet the needs of companies for management training, research and consultancy services. He believes the future lies in a more integrated approach towards management and organisational development.

One example of this approach is a post-course consultancy service that Ashridge offers to help managers implement what they have learned. Participants on the college's Leadership Development programme leave with a confidential tape recording of their final assessment to which they can later refer and, 12 months after completing the programme, they receive a questionnaire to review their progress.

"We pride ourselves on our ability to meet market needs, and we redesign our programmes to take account of the growing demand for courses which develop understanding, skills and competences," says Mr Beddowes.

Paul Taylor

Profile: LONDON BUSINESS SCHOOL

The word that says it all

IF Mr George Bain were given just a single word to encapsulate the London Business School, there is little doubt which one he would choose. Talk to the faculty and students, wander the buildings, or read the brochures, and the theme is everywhere.

The word is "international". So much so that a party of visitors arriving blind-folded from abroad at the grassy campus in Regent's Park, central London, might not even realise which country they were in.

Mr Bain, the principal of the school, deserves his chosen word. A Canadian with dual nationality, he says he spends much of his time defending Britain to the British. But his vision for the school stretches far more to the west over the Atlantic and south across the Channel than it does north into the traditional industrial heartland of the UK.

"We are one of the top maybe 10 or 12 business schools in Europe and the US," he says without hesitation. "This may sound self-serving, but I'd like to think we combine the best American and European business school traditions."

The LBS, he suggests, has elements of the north American schools which traditionally have a reputation for academic excellence, mixed with European ones which are historically more focused on vocational skills.

He likens the school to an aircraft carrier, on which future business leaders can land, re-orient themselves and then take off again in new directions. Students from the US are partly driven to the LBS by the over-academic focus of institutions in their own country, he suggests, and partly as a way of becoming exposed to "a wider Europe" while their language skills may initially hold them back.

Conversely, many European students want a flavour of American business without committing themselves to a full course there, Mr Bain argues.

"If you ever find a dean who says he is not internationalising his business school, tell me," he says. "But I don't think any other British school is as international as we are." That, if anything, is the unique selling point of the LBS, he says.

The statistics certainly go some way to bearing out this vision. Two-thirds of the students on the full-time MBA degree are foreign nationals, and half of those studying for PhDs. Even on the part-time MBA course 20 per cent are not British, and a handful commute from continental Europe even for this programme.

Mr Bain's drive to internationalise the school has led to radical changes in the curriculum over the past few years, which he characterises by three "I"s. International is, of course, the first. The others are integrated and dealing with implementation.

By integrated, he means providing a course which is coherent with interdisciplinary teaching. "Business schools have historically been far too vertical," Mr Bain says. "Courses have been compartmentalised into functional units, such as accounting, finance, production and marketing. They then painted a little glue called strategy on top and hoped it all hung together."

By implementation, he refers to the need to switch emphasis from simply problem-solving to providing solutions and the skills which allow managers to put their recommendations into action. "The MBA has traditionally been longer on analysis and a bit short on process skills," he says.

In addition, he talks about four specific aims for the school as a whole over the next few years. The first – surprise, surprise! – is to enhance the internationalism of LBS still further. While non-UK nationals are a high proportion of students, he would like to see more foreigners among the faculty.

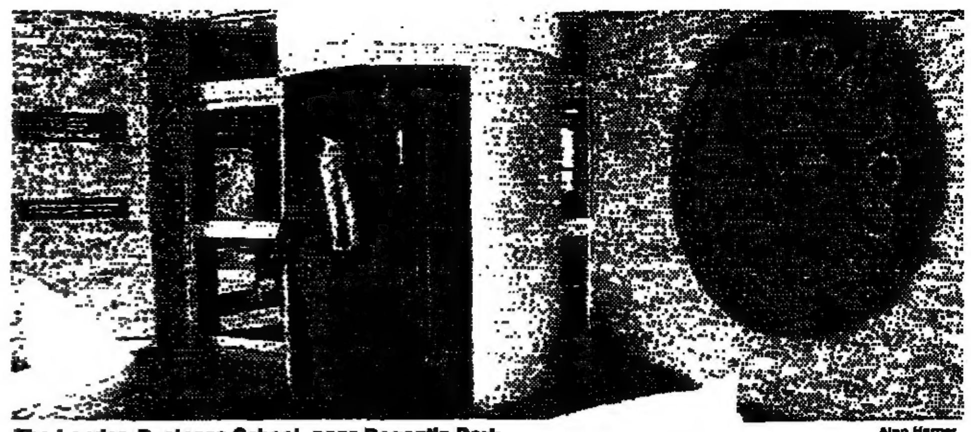
Second, he places great emphasis on what he calls "balanced excellence" – that teaching and research are of equal importance. He says the faculty should be expected to gain visibility in the business community as much as in the academic community – which, he adds in the same breath, they have been doing.

Third, he wants to see further growth in some parts of the school, despite its presence already as the largest in Europe. He says there needs to be "a bigger critical mass" in some specialisms such as accounting and marketing.

Finally, he calls for a much closer partnership with business through "effective learning partnerships". "That reflects a recognition that there is no substitute for the company as the learning laboratory," he says.

All this management education does not come cheaply. The full-time MBA, which currently enrols 210 people a year, costs £9,000. The part-time equivalent at the moment costs £6,600 for each of three years.

There is also a wide range of more specialised courses to choose from, ranging from £4,700 a year for a PhD and £13,000 for the international executive master's programme to £20,000 for the Sloan MSc degree.



The London Business School, near Regent's Park Alan Harper

To these costs students obviously have to add accommodation and forgone earnings. Recently, those who are not sponsored have often had to face the possibility of another risk, even at a school as highly-regarded as LBS: unemployment.

The school's most recent annual report has rather more text and glossy post-modern collages than it does figures. But one box showing the destinations of the 176 MBAs graduating in 1991 includes 20 per cent in a euphemistic "other" category, which comprises "freelance work, deciding on offers and seeking employment".

"It is taking people longer to find jobs," Mr Bain concedes. "MBAs are finding it harder to get job opportunities than a few years ago. They have to have to look harder. But the fact I don't know the proportion who are unemployed is an indication of how serious I think the situation is."

For those with the money, or sympathetic and education-committed employers, an alternative is participation in the non-degree programmes stretching over a number of days or weeks and costing a few thousand pounds each.

These cover subjects from corporate finance and brand strategy to one dedicated entirely to discussing the issues raised in copies of the Financial Times and the Wall Street Journal.

Andrew Jack

Profile: OXBRIDGE

Less dreaming in the spires

OXBRIDGE has just discovered the MBA. Twenty-five years after graduate business education began to be taken seriously in Britain, its ancient universities are finally, tentatively, putting their toes in the water.

Cambridge is first off the mark. It was closer to the line in the first place, with a range of undergraduate management courses already running, linked mainly to engineering but including a manufacturing and engineering tripos dating back to the mid-1980s.

The university made a decisive shift last year when it launched a fully-fledged management school, named the Judge Institute – after Mr Paul Judge, former chairman of the food operation company Premier Brands, who donated £8m to get it started. Other large benefactions have come from Mr Simon Sainsbury of the retailing family (£5m) and accountants Peat Marwick (£1.5m). "Management education is a subject which has been strangely neglected by our great universities," said Mr Sainsbury pointedly when announcing his gift.

The institute, currently in temporary premises opposite the Fitzwilliam Museum, will move in a few years to a purpose-built complex on the Old Addenbrooke's Hospital site in the city centre. The first 20 MBA students arrived last October – half of them British, average age 28, all sponsored by companies, and a majority working for international blue chip companies.

MBA numbers are expected to rise to 60 a year by the late 1990s. "We are not going to get in the business of having hundreds of students," says Dr John Hendry, director of the MBA programme. "Our course is as much a management development programme as a degree, involving close collaboration between staff and sponsoring companies – that makes heavy demands on tutors."

The MBA is an unusual three-year sandwich course. Students must be sponsored by their employers: after an initial 10 weeks in Cambridge, they return to their organisations for a year, when their work is supplemented by supervised study programmes and three one-week sessions at Cambridge. A second term is followed by another year of work and supervised study, and the course is topped off with a final nine weeks at Cambridge. At £7,000 a year, the institute is not trading on its name unduly.

In addition to the MBA, Cambridge has also launched an M Phil programme: 19 students are in their first year, and about half are currently intending to pursue research at the doctoral level afterwards. It also plans a range of short executive courses, due to start at the end of next year.

Oxford has long been a serious player in the executive course market. Templeton College, the university's management school, runs a small master's course in business, but has devoted most of its energy to developing management programmes. In 1990, courses generated 70 per cent of the college's £3.7m income.

Its programmes are mostly commissioned by particular companies: regular visitors include British Aerospace, Ford Europe, Thames Water, P&O, United Biscuits and the British Council Overseas – the last sponsoring a course teaching Indian managers how to work in export markets.

Templeton, a nondescript campus founded in 1969, is three miles from the dreaming spires – well beyond the city's ring road. It is the chosen location for the large expansion of business studies planned by the university for the next decade. A £40m expansion scheme has been agreed: more than £5m has been raised to date, and fund-raising will start in earnest once a director is chosen. An appointment is said to be imminent – but since the college has been saying that for months, it appears to have had difficulty finding a suitable "big name".

Oxford's MBA, due to be launched in October 1994, is an altogether more ambitious venture than Cambridge's. From an initial intake of 40, an annual entry of 150 is planned by the end of the decade. Doctoral students included, the school will be about 600-strong, with a teaching faculty of more than 50, plus 25 research fellows. That will make management the largest of the university's graduate departments.

Checking exam results at Cambridge University Alan Harper

An expansion of undergraduate management courses is also planned, with an economics and management bachelor's degree on offer from 1994.

Oxford's MBA is to be a two-year full-time degree. "We think there is a role for a two-year flagship course," says Dr Derek Morris, one of its architects. "Few schools in Britain besides Manchester and LBS offer one at the moment, and with a three- to six-month internship included, it offers the right balance between theory and practice."

The university is anxious to dispel any impression that Templeton's location implies a marginal role for management studies in the future. About two-thirds of the MBA students will be members of "old" colleges, and most of the faculty will hold fellowships in them too.

Perhaps Templeton will be for management what Nuffield, a graduate college established in the 1930s, is for the social sciences: a focus and magnet, primus inter pares for graduate studies in its field. But at least Nuffield, with its monstrous tower, can be seen from Carfax. Templeton is 10 minutes away by taxi – and some Oxford dons wish it was further still.

Andrew Adonis

Profile: WHARTON

A time of reappraisal

AT THE end of a corridor in the Wharton School in Philadelphia hangs a photograph of Donald Trump, the financier who made his fortune in the 1980s and fell on harder times in the 1990s. Mr Trump is one of the alumni whose achievements are still celebrated. Those of another, the disgraced Michael Milken, are no longer so publicly applauded.

Wharton's power was undisputed in the 1980s, and remains enormous. It is one of the three big US business schools that exert a tight grip on the world market in management education – the others being Stanford and Harvard. Among the three, Wharton's fortunes seem most bound to the past decade's explosion of interest in free market business and finance.

The school was founded in 1881 by the Philadelphia financier Joseph Wharton. It is part of the University of Pennsylvania – established by Benjamin Franklin – yet its independent reputation and its financial strength set it apart among the university's graduate schools. It is often regarded with a mixture of awe and resentment by outsiders.

This is a time of reappraisal and self-analysis for Wharton. Its reputation is as the best US finance school, and many of those who gained MBAs found easy rewards in the 1980s bull market. At the same time, the number and size of US business schools grew to the point where there is now over-capacity of up to 10 per cent on some estimates.

So Wharton is attempting to redefine itself more in sympathy with the 1990s *zeitgeist*, while holding on to its traditional strengths. It is a tricky balancing act, symbolised most strongly by a new curriculum being tested out for the first time this year on 130 of the intake of 830 students paying $17,750 each a year to study for a two-year MBA.

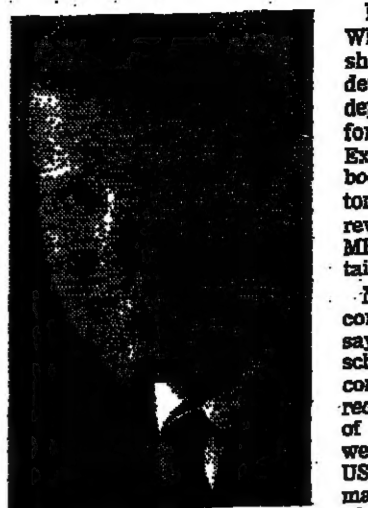
These are also nervous times for many of the MBA students. Jobs are not as easy to come by as they might have anticipated this year, and they came with high expectations of what they would get for their money. As at other business schools, there is a vociferous debate over the quality of the teaching, and whether the MBA education is still worthwhile.

The man charged with steering this vast enterprise – with a faculty of 180 and a capital endowment of $98m Wharton is as much a large business as a university graduate school – along an uncharted course is Mr Thomas Gerrity, the dean. He has a vision of what Wharton should become, although he acknowledges that it is easier said than done.

Mr Gerrity's view is that business schools should concentrate on giving leadership skills not only to MBA students, but to undergraduates and executives attending part-time courses. He thinks managers now have to be able to integrate approaches from operations or marketing or finance to solve a range of complex problems from early on in their careers.

"Managers now require great cognitive and analytical abilities, and enough of the craft of leadership to follow their ideas through and deliver actions," he says. In practice, that presents a tall teaching order for an academic institution which has divided teaching into separate functional areas, and not bothered about blending ideas.

Wharton's main response has been to establish its new curriculum, which tries to raise standards by adding a four-week preparatory course to the start of the first year, and offers a series of six-week module courses during the two semesters. The over-riding principle is a stronger emphasis on interdisciplinary study of business strategy.



Thomas Gerrity, dean of the Wharton School (left) in Philadelphia: overseas recruits are key to future

Those involved in the pilot curriculum say it had an uncertain start because it involved a different approach from a faculty which was used to the old ways. But some students now see benefits. Ms Andrea White, a first-year student, talks enthusiastically of professors from different disciplines debating business case studies in classes.

Wharton is careful to distinguish its approach from that of Harvard Business School, known for using case studies and examples from business practice rather than emphasising econometric rigour. Mr Anthony Santomero, the deputy dean, says drily that Wharton uses case studies where it thinks them useful rather than as "a religious endeavour".

But in the final analysis, Wharton may not be able to shape its destiny alone. The demand for its services will depend on the overall market for management education. Executive education is clearly booming – that side of Wharton's business brought in $16m revenue last year – but the MBA market is a more uncertain matter.

Mr Gerrity professes little concern about Wharton, but says the future for US business schools depends on attracting a continuing stream of overseas recruits. Twenty-nine per cent of the MBA intake last year were foreign. For the moment, US schools hold as strong a market share in world business education as Detroit used to in the world car market.

The dean does not believe this is likely to change rapidly, despite an inevitable growth in competition from Europe and south-east Asia. "There will be more competition, but we are not going to see radical change overnight. This is not the software industry," he says.

John Gapper

The writer is a Harkness Fellow of the Commonwealth Fund, New York

Andrew Jack finds a new subject on the syllabus

The attraction of ethics

FROM THE country that fostered Ivan Boesky and Michael Milken is a subject coming to a management education syllabus near you soon: business ethics. Under the surface of the profit motive, many executives of the future are beginning to call for classes preparing them for wider responsibilities.

While the 1980s in the UK have been associated by many with a selfish individualism driven by the spirit of private enterprise, an undercurrent of corporate responsibility has also been on the rise.

Since the late 1970s in the US, business schools have been introducing courses reflecting students' concerns with the ethical decisions they may face day-by-day in corporations. Commentators say demand has been driven by growing concern over a succession of corporate and political scandals which emerged during the decade.

Now the same concerns are infiltrating courses in the UK and Europe. At a conference in London last September, more than 100 academics and business executives gathered to discuss subjects as diverse as ethics during a recession, the slot machine and gambling industry, and Czechoslovak attitudes to privatisation.

These initiatives have been foreshadowed by the growing interest in areas such as ethical investment, better environmental practices and good employment policies, which have given rise to a number of organisations and an expanding literature over the past few years.

Professor Andrew Likierman at the London Business School recalls a group of students approaching him in the early 1980s with an interest in discussing ethical issues in the workplace as well as the more "mechanical" skills generally on offer in the curriculum. The school responded with an optional course in 1987 which has run several times since and has been consistently well attended.

Mr Brian Harvey, from the education department at Nottingham University and secretary of the European Business Ethics Network and author of a study of corporate social policy for managers, says: "I definitely have the impression that more business schools are offering courses now."

Last year he ran a course in the university's school of management and finance attended by 30 students. Now through the network he is involved in the production of a number of case studies on European business ethics for class teaching, to supplement the existing widely-used material which comes from the US.

These include a study of the issues surrounding the marketing of RU 486, the "morning-after" contraceptive developed in France, the tensions between a chemical company and an environmental pressure group, and the difficulties facing IBM managers in Germany trying to reconcile the need to make redundancies at a plant which is no longer required with the company's traditional commitment to employees and the local community.

He says much of the development of ethics in the US has been driven by the strong sense of community involvement by business, in turn reflecting a traditionally less active belief in the role of the state.

Prof Likierman argues that not only is business more central to society in the US, but also people are more willing to be frank about the dilemmas they may face at work. He says the subject is an important one, and beginning to spread to the UK and elsewhere, but he adds: "To be frank, it is not absolutely the thing of the 1990s. It is not just a fashion, but neither has it been very seriously tackled yet."

Mr Kirk Hanson, senior lecturer at the Stanford business school in California, says there is a great deal of interest from US corporations – many of which have now launched codes of ethics governing their operations.

He sees the biggest problem not as raising money to teach and research the subject, but in finding people to teach it. Business ethics is still a relatively unstructured academic specialism, and is often more controlled by philosophers and theologians who have turned their attention to business than by business school lecturers themselves.

Prof Likierman says there are also difficulties in deciding how to introduce ethics into the curriculum. Theoretically, there are ethical issues which ought to be discussed in every course on offer. "But not everyone finds it easy to teach, or is willing to find room by pushing out what they regard as a central part of their course," he says. In fact, most of the courses on offer are not only demarcated rather than integrated, but also optional.

He is keen to dispel the notion that business ethics is about insider dealing, however. "That is a clear criminal act, not an ethical issue," he says. By contrast, he points to trading with South Africa – or, perhaps more difficult, a right-wing dictatorship.

There may be sensible business reasons for not conducting such trade, such as the higher risks involved. But will business with the regime help prop it up, or will good practices help bring about reform more quickly? Similarly, where does corporate hospitality cease and bribery begin? "Morality and business do not always conflict," he says.

Mr Hanson agrees. "Ethics is extremely complex. You very quickly get away from a definition about law-breaking. It's primarily a question of balance rather than about black and white," he says.

Most academics introducing ethics into business school curricula stress that they are not intending to provide students with rights and wrongs. What they hope to do is offer students a chance to recognise and discuss the ethical dimensions of the environment in which they work, and have the critical ability to make better decisions as a result.

But in true business school style, ought they not now to be able to evaluate and quantify the scale of their success? Are there any signs yet that the new breed of ethically-trained managers are cleaning up business?

"It's hard to tell. We can't say there have been 43 per cent fewer indictments among our graduates," says Mr Hanson. But if interest from both companies and students is anything to go by, the companies of the future should be better equipped to address the most ancient of issues.